TT-Line Company Pty Ltd

ANNUAL REPORT

2018/19

SPIRIT OF TASMANIA

COMPANY VISION

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

COMPANY MISSION

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

BUSINESS OBJECTIVES

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

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

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REPORT FROM THE CHAIRMAN

The performance of the Company during the 2018/19 financial year was again very strong.

TT-Line reported revenue of $260.3 million (2017/18: $244.6 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) was $63.4 million (2017/18: $57.0 million) and after tax profit was $44.1 million (2017/18: $44.4 million).

The Spirit of Tasmania vessels were valued at 67.5 million euros each as at end 30 June 2019.

From an operational perspective, the number of sailings increased by eight (867 in 2018/19 compared to 859 in 2017/18). This included a record 169 day sailings (breaking the previous record of 156 day sailings established in 2017/18).

Passenger numbers remained at record levels - 446,869 in 2018/19 compared to 448,764 in 2017/18. Freight volumes also achieved record levels for the year, supporting the additional investment in tonnage for freight across Bass Strait.

At the time of writing, the Company was in close discussions with European shipbuilder Flensburger Schiffbau-Gesellschaft (FSG) regarding contracts for the construction of two new roll-on-roll-off ships to replace the current two vessels.

While FSG's financial difficulties were widely reported during the year, the Company has solid contracts in place with the shipbuilder to build the new *Spirit of Tasmania* vessels.

As emphasised in the Safety and Reliability section of this annual report, safety is paramount in Spirit of Tasmania's daily operations, whether it be planned maintenance, safety training, performance of exercises involving lifesaving equipment or general maintenance. The Board takes an active interest in safety and it is reviewed and discussed at every Board Meeting.

The Company's commercial relationship with the North Melbourne Football Club continued to be a positive one for the Company. The partnership with the club was extended in October 2018 to include a fourth game at Blundstone Arena in Hobart in 2019, 2020 and 2021.

The Company also committed to a three-year sponsorship of the North Melbourne AFLW team during the reporting period.

The sponsorship arrangement delivers important brand recognition to Spirit of Tasmania in our key markets through Channel Seven and Foxtel, and flow-on social and economic benefits to our tourism industry partners in Tasmania, particularly hotels and restaurants located in Hobart.

On behalf of the Board, I would like to thank Chief Executive Officer Bernard Dwyer and the Leadership Team for their hard work during the reporting period. I would also like to note the important contribution made by crew and staff and thank them for their work in achieving these results for 2018/19.

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

Director Robert Heazlewood's term ended in November 2018. Mr Heazlewood was first appointed to the Board in 2012, and his contribution during that time was significant. Former Commonwealth Director of Public Prosecutions Damian Bugg AM QC joined the Board in August 2019. Mr Bugg is a highly experienced barrister and Board member, and I look forward to working with him on the TT-Line Board during his tenure.

I would like to thank our shareholder ministers – former Minister for Infrastructure The Hon. Jeremy Rockliff MP and Treasurer The Hon. Peter Gutwein MP - for their ongoing support of the Company, both in a day-to-day context and given the significant infrastructure investment we are set to make in the State's future through the acquisition of two new vessels.

I would also like to note and acknowledge the appointment of the Hon. Michael Ferguson MP to the Infrastructure portfolio and look forward to working with him in the same positive and constructive way as with his predecessor.

Michael Grainger
Chairman

REPORT FROM THE

CHIEF EXECUTIVE OFFICER

The Company reported record revenues in 2018/19 and an after-tax profit of $44.1 million – another very solid financial performance.

The efficiency of the Company again increased, indicated by the strong EBITDA achieved of $63.4 million (2017/18: $57.0 million).

Having carried very strong passenger and freight numbers during the year, we are now fully utilising the current vessels with an expanded sailing schedule.

Plans and design are progressing well for the replacement vessels and, as can be seen from our figures, the extra capacity will be most welcome and help drive further visitors to Tasmania, especially its regional areas.

Feedback from our valued customers continues to reveal an increase in satisfaction in the travel experience that we provide. After our passengers travel with us, they receive a survey via an email inviting them to provide immediate feedback on the Company's performance – from booking through to disembarkation. This feedback continues to be very positive with customers rating the Company's performance on average 93.3 out of 100.

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

Major work has been completed to upgrade the current vessels to be fully compliant with new international regulations in relation to sulphur emissions. These regulations come into effect globally from January 2020.

While this has obvious environmental benefits, the regulations will add significantly to TT-Line's cost over the remaining service of the current vessels, in addition to the cost of the conversions required to burn compliant fuel.

While these cost increases will impact the profits of TT-Line in the short-term, the continued review of processes will remain a priority to maximise efficiencies across the business.

Safety is always at the forefront of TT-Line's operations. We place significant emphasis on training across all facets of the business, while the annual dry dock ensures the ships are in the best possible condition for each season.

The dry dock is a major logistical exercise that takes months to plan and execute. I congratulate all those involved in this annual work as it runs like clockwork with many crew, staff members and external partners involved.

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

Bernard Dwyer
Chief Executive Officer

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

SPIRIT PEOPLE

Spirit of Tasmania's employees remain our most valuable asset.

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

As has been the case in previous years, the Company continued to invest in the development of all of our employees.

Importantly, the Company continued its commitment to employee safety and wellbeing through our Lookout program. Lookout provides training and education covering topics such as mental health, lifestyle and wellbeing, manual handling and appropriate workplace behaviour.

The Spirited Leader training program again provided a range of leadership and development opportunities for our managers and supervisors.

This year, we commenced an updated version of the program designed for all employees.

The Spirited Leader program will continue in 2019/20 and remain a key element of our training and development strategy.

The Company continued to provide strength and conditioning training designed for manual handling roles in the Company, general health and exercise training for all employees. The Company provides physiotherapists and exercise physiologists, and has exercise facilities in Devonport and Melbourne available to all employees.

Our employees continue to support Tasmanian-based charities through our Community Spirit program. In the program, when set lost time injury free thresholds are met, the Company allocates funds to employees to donate to local charities of their choice.

COMMUNITY SUPPORT

Spirit of Tasmania continued to provide a significant level of support to events and initiatives that benefit the Tasmanian community.

During the reporting period, the Company provided more than $190,000 in contra travel and $200,000 in financial assistance to more than 85 organisations to support education, research, advocacy and fundraising.

This support allowed community groups to participate in national competitions interstate, assisted event organisers to host events in Tasmania and enabled local community groups to fundraise for meaningful causes.

Spirit of Tasmania celebrated Tasmania's young leaders by sponsoring the 2019 Tasmanian Young Achievers Awards and acknowledged the exceptional work of volunteers by sponsoring the 2019 Tasmanian Volunteering Awards.

The Company was the official naming rights partner of the 2018 Spirit of Tasmania Cycling Tour for the third consecutive year. We also supported the statewide arts festival Ten Days on the Island to deliver its 2019 program.

The annual Tour de Cure Peter Mac Ride once again received travel support from Spirit of Tasmania in 2018, enabling more than 110 riders and support crew members to travel to Tasmania for a three-day ride in the north of the State to raise funds for cancer research. Spirit of Tasmania also supported the R U OK?DAY charity to run the Conversation Convoy in northern Tasmania to support suicide prevention strategies.

In October 2018, Spirit of Tasmania hosted an event that raised $40,000 for Our Watch, funding programs to prevent violence against women and children.

The Company also supported the Blue Whale Study by providing travel to a researcher so they could observe blue whales along the ships' route in Bass Strait during the peak of the blue whale feeding season.

Spirit of Tasmania continued its partnership with the North Melbourne Football Club and extended the partnership in October 2018 to include a fourth game to be played in Hobart in 2019, 2020 and 2021. In addition, the Company committed to a three-year sponsorship of the Club's AFLW team, commencing with the 2019 season.

BRAND

Spirit of Tasmania maintained its strong brand position throughout the 2018/19 financial year. The Company commissioned annual research (by market research agency Hall & Partners) to track brand health and advertising message recall and recognition.

The Company's 'brand engager score' was 103 points, indicating a positive connection between consumers and the brand.

The research revealed that Spirit of Tasmania continued to be highly dominant as the top-of-mind brand offering cross-Strait travel services compared to domestic airlines and travel booking services.

Looking at age bands, the 18-34 group, having been a source of growth in recent years, has largely held stable during the reporting period, with the most noticeable gains amongst those aged 55 and older.

The research also revealed that Spirit of Tasmania advertising recall continues to have a strong focus on our core value proposition – 'the ability to take your vehicle and the notion of a relaxing way to travel'.

Along with 'a unique way to travel', 'an adventurous way to travel', 'take everything you need', these brand associations are our key differentiators that continue to be unchallenged by competitors.


SPIRIT OF TASMANIA


TASMANIA


RETAIL AND HOSPITALITY

Spirit of Tasmania continued its long-term commitment to Tasmanian suppliers in 2018/19 with more than 90 per cent of product served on board sourced locally.

The Tasmanian Market Kitchen (TMK) updates and changes its menus seasonally, focusing on fresh Tasmanian produce and flavours. The Company introduced a number of initiatives in the vessels' restaurants and bars during the reporting period. A pop-up cocktail bar offering Tasmanian spirits was well received by our passengers. The Lark whisky barrels placed on the centre of both ships on Deck 7 are still maturing and will be available in 12 months time.

Flavours of Tassie (which runs annually in winter from May through to August) allows Tasmanian producers to showcase their craft beverages and gourmet foods to passengers while offering a Meet the Maker experience and enhancing their Tasmanian journey. New producers this reporting period included Coal River Farm, Elsewhere Vineyard, Hey Sweetie, Next Door's Cider, Pyengana Dairy, Sharmans Wines, Take a Broth and Waterton Hall Wines. The addition of these companies took the total number of participating businesses this year to 50.

Training was a strong focus again for the year with a diverse offering of personal and professional development. This included food safety and sea safety training, Tasmanian product knowledge, wellness programs and certification training through TasTAFE for Certificate III and Certificate IV and diplomas in hospitality.

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

The Summer Entertainment program for 2018/19 focused on families, with roaming hosts providing a combination of badge making and memory capturing activities, face painting, interactive circus acts and Tasmanian trivia. Live music was performed on Deck 9 on all sailings, while the Deck 7 cinemas continued to offer new-release movies.


CINEMA

MARKETING

In 2018/19, the Company continued to build on the 'Be a spirited traveller' brand campaign. The campaign further strengthened the emotional and functional brand associations by highlighting the key differentiators when sailing to Tasmania.

The latest phase of the campaign, 'Spirited travellers choose sea over sky' tapped into the mindset of consumers who were undecided about whether to fly or sail and highlighted the key benefits of sailing. The creative approach appeals to all segments with a focus on the growth customer segments: memory makers, four-wheel families and millennials.

Advertising agency Leo Burnett delivered the creative approach for the campaign, and media agency Wavemaker provided media services for the 2018/19 period.

In 2018/19, Spirit of Tasmania delivered 11 major campaigns - five brand and six retail campaigns across television, radio, press, cinema, outdoor billboards and digital advertising (including display banners, video, high impact takeovers, native content, content partnerships and catch-up TV). Tactical activity included online travel agents, Caravanning Australia, Holidays with Kids, Australian Traveller, Traveller.com, Tourism Tasmania and RACV.

Advertising activity was supported during the year by a number of tactical marketing initiatives designed to strengthen brand awareness and increase engagement with key market segments.

These activities included:

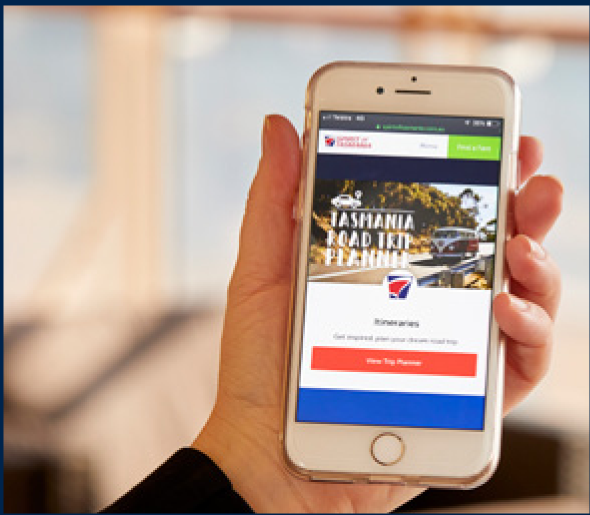
- a Spirit of Tasmania branded tram travelling along three tram routes in Melbourne, including Route 109 to Station Pier, between September 2018 and January 2019.
- a full episode on *Postcards*, Nine's travel and lifestyle program, highlighting the benefits of sailing by day and night.
- the 'Tasmania Road Trip Planner' online planning tool, allowing users to choose themed road trip itineraries and routes through Tasmania.
- a chatbot – Juniper the Tasmanian Devil - delivered via Facebook Messenger inspiring users to take their dream road trip to Tasmania.

In May 2019, Spirit of Tasmania appointed a new media agency, Atomic 212°, to manage the Company's media strategy, planning and bookings across all media channels. Atomic 212° was appointed after a competitive tender process and commenced a three-year contract from 1 July 2019.

Spirit of Tasmania's digital presence continued to strengthen with higher website visitation, bookings and revenue numbers than in previous years. Record reach and booking growth was also seen in search, social media, display and email channels.

During 2018/19, 67 per cent of passengers who travelled with Spirit of Tasmania were from mainland Australia. Of these passengers, 38 per cent were from Victoria, 17 per cent from ACT and NSW, six per cent from Queensland, with Northern Territory, South Australia and Western Australia combined accounting for six per cent. Almost three per cent of travellers during the year were international travellers, with Germany, France and US being the top three markets.

Just over 90 per cent of passengers travelled with a vehicle.


TASMANIA ROAD TRIP PLANNER
Itineraries

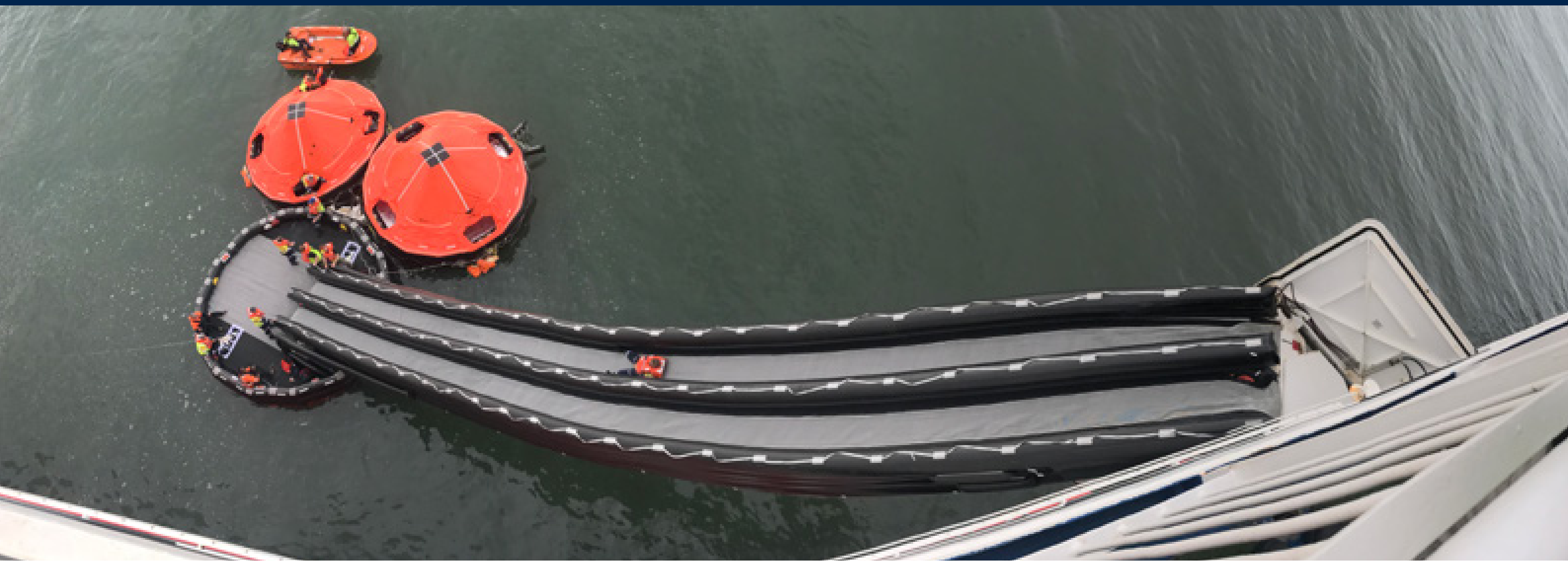

Spirited TRAVELLERS CHOOSE SEA OVER SKY
SPIRIT OF TASMANIA
TROPHYWIFE


Docklands 48
3002
SPIRIT OF TASMANIA


BE A Spirited TRAVELLER
A JOURNEY MEASURED IN MOMENTS
SAIL DAY OR NIGHT FROM $69*
The spirited traveller immerses themselves in every experience. So begin your holiday from the moment you step aboard.
Book online at spiritoftasmania.com.au
SPIRIT OF TASMANIA


BE A Spirited TRAVELLER
SAIL INTO YOUR FAMILY ADVENTURE
Spirited travellers share unforgettable moments. So load the car with your family, bikes and even your furry friends and set sail to create memories that will last a lifetime.
Curious? Then come aboard.
spiritoftasmania.com.au
SPIRIT OF TASMANIA


BE A Spirited TRAVELLER
REVEL IN THE JOURNEY
SAIL BY DAY FROM $85*
The spirited traveller doesn't merely go from A to B, they savour every sight, sound and sea view. Make every moment count when you sail by day on Spirit of Tasmania. Book online at spiritoftasmania.com.au
SPIRIT OF TASMANIA



SAFETY AND RELIABILITY

Safety and reliability are at the forefront of the daily operations at Spirit of Tasmania – on every day of the year some facet of these programs is conducted by shipboard personnel. This can be in the form of planned maintenance, safety training, exercising lifesaving equipment and general maintenance.

On a weekly basis, shipboard personnel undergo muster and evacuation drills, exercise various lifeboats and fast rescue boats, and periodically undertake other training. This training includes confined space rescue, marine evacuation slide and life raft training, and helicopter interactive and response drills. Additionally, collaborative drills are run in between shore management and ship operatives. These large-scale drills are conducted in areas such as major fire, grounding and anti-terrorism. All this detailed training is done to ensure the safety and reliability of shipboard equipment and to ensure a seamless crew response in the unlikely event of a major incident.

Traditionally, one vessel is removed from service for an approximately 18 days of dry docking every year. During this time, it undergoes major machinery and preservation work at the Garden Island dry dock in Sydney.

However in 2018/19, both vessels attended back-to-back dockings. *Spirit of Tasmania II* underwent her scheduled docking, which consisted of an 18-day work program. Major work included steel work replacement, a major overhaul of bow doors and stern ramps, continued refurbishment, replacement of the ship's ventilation fans and the application of 7,696 litres of paint.

Spirit of Tasmania I attended the dock facility 24 hours after the departure of her sister vessel. The purpose of this docking was to install a new stabiliser fin as the previous fin had sustained damage while in service. An exchange of this magnitude is generally a lengthy process. However the work was completed in record time with the vessel returning to service only eight days after being docked. Other minor work was undertaken during the docking: cleaning the underwater hull and polishing the propeller blades. These are regular undertakings in dock to ensure optimal hull performance.

All major machinery aboard the vessels, such as the main and auxiliary engines, undergo maintenance and parts replacement at regular intervals dictated by machinery running hours.

During 2018/19, it was noted that the main engine turbo-chargers will soon reach 100,000 running hours and will require new rotor assemblies. The exchange program will be concluded during 2019/20.

The reporting period also saw the introduction of an online learning management system. The Marine Operations department was one of many departments that commenced updating contractor and shipboard inductions and providing further training programs online. This work remains ongoing and will be completed during 2019/20.

The largest and most critical project work for Spirit of Tasmania is the optimisation and conversion of shipboard machinery to accept a change in fuel oil required by international marine legislation by 1 January 2020. A significant amount of work throughout 2018/19 was undertaken with this in mind. Ongoing tank conditioning has been at the fore of the project, as has the introduction of coolers on the return side of the main and auxiliary engines and the changeover of boiler firing mechanisms and the safety control system. Actual trials for potential new fuels have commenced.

ENVIRONMENT

TT-Line completed reporting under the Federal Government's *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER Act), for the 2017/18 year.

The Company's report under the NGER Act was submitted to the appropriate Federal Government department by the deadline of 31 October 2018.

TT-Line will report on its 2018/19 NGER data by 31 October 2019.

PUBLIC INTEREST DISCLOSURE

Hard copies of TT-Line's Public Interest Disclosure Policy can be obtained from the Company Secretary.

In accordance with the requirements of section 86 of the *Public Interest Disclosures Act 2002 (Tas)* (the Act), TT-Line advises that:

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

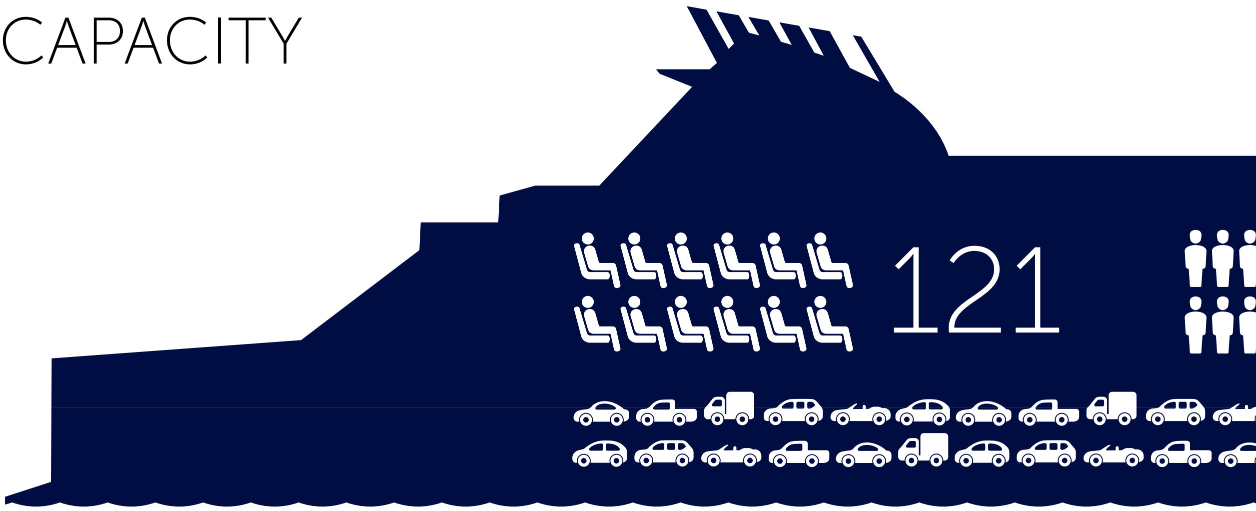
SHIP FACTS

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

OVERALL LENGTH (M)
194.33

GROSS TONNAGE
29,338

CAPACITY



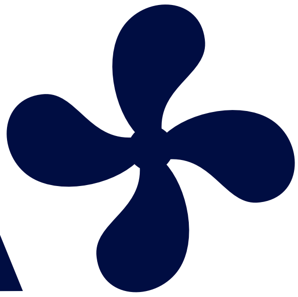
- **59** TWIN BED PORTHOLE CABINS
- **72** FOUR BED PORTHOLE CABINS
- **8** DELUXE CABINS
- **222** TOTAL CABINS
- **121** RECLINERS

SPEED, TIME & DISTANCE

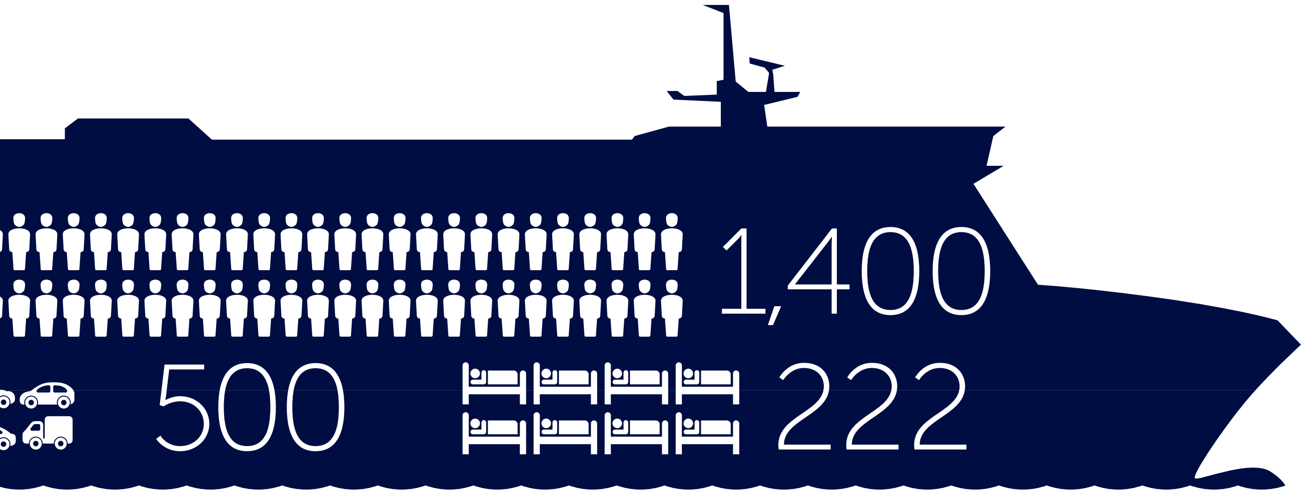
AVERAGE SPEED IN KNOTS 27
EQUALS 50 KM/HR

CROSSING TIME (HRS)
9–11

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



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



- **81** TWIN BED/FOUR BED INSIDE CABINS
- **2** WHEELCHAIR ACCESSIBLE CABINS
- LICENSED TO CARRY **1,400** PASSENGERS AND **500** STANDARD VEHICLES

DISTANCE FROM
MELBOURNE TO DEVONPORT
429KM
232 NAUTICAL MILES

STATEMENT OF CORPORATE INTENT

Our Statement of Corporate Intent is our annual performance agreement with our shareholders and sets out key financial and non-financial targets for the year.

Key performance measures

	TARGET 2018/19	ACTUAL 2018/19	ACTUAL 2017/18
FINANCIAL TARGETS			
Return on assets	8%	12%	13%
Return on equity	9%	12%	14%
NON FINANCIAL TARGETS			
Voyages	859	869	859
Lost time injuries	-	10	14
Customer satisfaction (#/100)	93	93	93

EXPLANATION OF THE NUMBERS STATEMENT[1]

	2019 $'000	2018 $'000
Revenue from operations[2]		
Spirit of Tasmania	255,637	240,634
Other revenue	1,767	2,012
	257,404	**242,646**
Expenses from operations[2]		
Spirit of Tasmania	(192,080)	(183,661)
Other expenses	(1,847)	(1,967)
	(193,927)	**(185,628)**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**63,477**	**57,018**
Depreciation and amortisation		
Spirit of Tasmania	(6,918)	(7,374)
Other	(91)	(83)
	(7,009)	(7,457)
Earnings before interest and tax (EBIT)	**56,468**	**49,561**
Interest expense	(688)	(367)
Interest income and foreign currency gains	3,041	2,198
Underlying profit	**58,821**	**51,392**
Represented as follows;		
Spirit of Tasmania	58,992	51,430
Other	(171)	(38)
Underlying profit	**58,821**	**51,392**
Reconciliation to audited profit for the period		
Underlying profit	58,821	51,392
Accounting adjustments		
Revaluation of asset adjustment	(1,141)	11,998
Taxation (expense)/benefit	(13,536)	(19,020)
Profit for the period – audited	**44,144**	**44,370**

1. Explanation of the numbers statement is unaudited

2. Includes revenue and expenses from Edgewater internal operations

Annual Financial Report

FOR THE YEAR ENDED 30 JUNE 2019

ABN 39 061 996 174

Contents

CORPORATE GOVERNANCE

While TT-Line Company Pty Ltd (TT-Line or the Company) is not a listed company, it has adopted, where applicable, practices that comply with the relevant sections of the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition), including eight principles central to good corporate governance.

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

1. Lay solid foundations for management and oversight

The Board of Directors is responsible for the Company's overall performance in achieving its objectives, as set out in the Company's Constitution. All efforts in this regard must be made in accordance with the *TT-Line Arrangements Act 1993* (Tas), which states: 'The principal objective of the Company is to manage and facilitate the operation of a shipping service to and from Tasmania in a manner that is consistent with sound commercial practice'.

Accordingly, the Board is responsible for:

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

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

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

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

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

The committees, as at the reporting date, were:

- Audit and Risk – responsible for complying with legal and regulatory obligations, the integrity of financial reporting, overseeing of external and internal audits, and the effectiveness of internal control and risk frameworks
- Remuneration – responsible for determining the remuneration and incentives policy for the CEO and senior executives, and for ensuring that the Company's remuneration policies and practices are fair and competitive
- Director Nomination – responsible for ensuring a suitable process is in place to meet the Board's recruitment requirements
- Vessel Replacement and Procurement – responsible for the replacement and procurement of the Company's vessels.

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

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

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

Corporate Governance Framework

TT-Line Board

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

Chief Executive Officer

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

2. *Structure the Board to add value*

The composition of, and appointments to, the Board are prescribed by the Company's Constitution. Appointments are made directly by the Company's two shareholders: the Tasmanian Government's Treasurer and the Minister for Infrastructure and Transport. Directors are appointed according to the *Guidelines for Tasmanian Government Businesses – Board Appointments*.

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

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

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

The Board's performance is reviewed annually.

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

3. *Act ethically and responsibly*

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

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

The Company also has an ethics policy that promotes equity and diversity. At the reporting date, approximately 50 per cent of the Company's employees were female and 50 per cent were male.

4. *Safeguard integrity in corporate reporting*

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

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

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

5. *Make timely and balanced disclosure*

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

6. *Respect the rights of security holders*

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

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

7. *Recognise and manage risk*

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

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

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

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

- ISO 31000 – Risk Management (international standard)
- AS 3806 – Compliance Programs (Australian compliance standard).

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

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

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

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

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

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

8. Remunerate fairly and responsibly

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

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

The Company has a Board-endorsed remuneration policy that is consistent with the Tasmanian Department of Treasury and Finance guidelines for director and executive remuneration, dated July 2018.

Directors' fees are set by the Tasmanian Government.

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

DIRECTORS' REPORT

The Directors of TT-Line submit the annual financial report of the Company for the financial year ended 30 June 2019. The Directors report the following, in compliance with the provisions of the *Corporations Act 2001* (Cth).

Information about the Directors

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

Mr Michael Grainger	Mr Grainger is the Chairman of the Board, having joined the Board in 2005 as a non-executive Director. He is Chairman of the Vessel Replacement and Procurement Committee and the Director Nomination Committee, and a member of the Audit and Risk Committee and the Remuneration Committee. Mr Grainger is the Managing Director of Liferaft Systems Australia Pty Ltd, and a member of the DNV GL International Ferry Committee.
Mr Damian Bugg	Mr Bugg joined the Board in July 2019 as a non-executive Director. He is also a Director of Blundstone Australia Pty. Ltd, Chairman of the Board of the University of Tasmania Foundation Inc. and a member of the University of Tasmania's Foundation Committee.
Capt. Richard Burgess	Capt. Burgess is a member of the Board, having joined as a non-executive Director in November 2016. He is also a member of the Vessel Replacement and Procurement Committee.
Ms Suzanne Ewart	Ms Ewart joined the Board in June 2014 as a non-executive Director and was appointed Chairperson of the Audit and Risk Committee in August 2014 and the Remuneration Committee in 2017. Ms Ewart is also a member of the Vessel Replacement and Procurement Committee and the Director Nomination Committee. Ms Ewart is a Director of Dexus Wholesale Funds Ltd, the Chair of .au Domain Administration Ltd, and Chairperson of the Lancefield & Romsey Bendigo Community Bank. She also serves on transformation advisory panels in utilities. She has served as Chairperson or Director of a number of organisations in the financial services, health, biomedical, ecommerce and education sectors.
Ms Claire Filson	Ms Filson joined the Board in November 2015 as a non-executive Director and is a member of the Audit and Risk Committee. Ms Filson is also Deputy Chairperson of the Port of Hastings Development Authority, Murray Irrigation Limited and the Portable Long Service Benefits Authority. Ms Filson is also a Director of Western Water Region Corporation and an independent member of the audit committee of three local councils and the Victorian Department of Premier and Cabinet.
Ms Helen Galloway	Ms Galloway joined the Board in November 2016 as a non-executive Director and is a member of the Audit and Risk Committee. Ms Galloway is a Director of Tasracing and a member of its Audit and Risk Committee and Asset and Safety Committee. She has previously held a number of other board positions, including at the Singapore Hockey Federation. She is also on two local council audit committees, as either Chairperson or an independent member.
Mr Bernard Dwyer	Mr Dwyer joined the Board in 2010 as a non-executive Director. In November 2014, Mr Dwyer was appointed CEO of the Company and is now an Executive Director. Prior to his appointment as CEO, Mr Dwyer was a member of the Audit and Risk Committee and the Remuneration Committee. He is a Director of the Tourism Industry Council Tasmania, a member of the Interferry Board and a member of the Tasmanian State Government's Access Working Group.

Retirements

Mr Robert Heazlewood	Mr Heazlewood joined the Board in 2012 as a non-executive Director and retired in November 2018.

Remuneration of Directors and key management personnel

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

Principal activities

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

Review of operations

The Company reported total revenue of $260.2 million (2018: $244.6 million) and a profit for the year ended 30 June 2019 of $44.1 million (2018: $44.4 million).

The Company's updated strategic plan continued in the 2018/19 financial year.

The plan includes objectives to:

- operate safely and reliably
- continue planning for new tonnage to replace current vessels, to be operational by the mid-2020s
- continue to optimise day sailings to provide additional capacity for passengers and over-height vehicles
- maintain the Company's current freight service.

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

The number of sailings increased by 1 per cent over the prior year to 867 (2018: 859), including additional day sailings. It was the highest number of day sailings operated by the Company since 2004. During the financial year, marginally fewer passengers, 446,869, (2018: 448,764) travelled with the Company. The 2018 result was the highest number of passengers carried on the current vessels since 2004. The Company's ability to continue increasing the number of day sailings in peak periods is now limited, without compromising schedule reliability.

A significant improvement in freight volume is constrained as the vessels operate at capacity for the majority of high-demand periods; however, freight volumes for the year were the highest on record.

Customers' preference for putting freight on night sailings, to integrate with wider logistics chains, restricts growth prospects in this area. In addition, the strategy of introducing additional day sailings does not materially increase freight volumes on the vessels.

The vessels were each valued at €67.5 million at 30 June 2019. This value is the same as the prior year. It reflects the strong ferry resale market, the quality of the current vessels and reduced short-term new-build capacity. Despite the vessels holding their value, they are depreciating assets and their value can normally be expected to decrease each year.

In 2017, the Company completed a business case for replacing *Spirit of Tasmania I* and *II*. The business case was approved by the Board and the Tasmanian Government's Cabinet Sub-Committee. Contracts were signed in 2018 for the new ship builds. The project has entered the detailed design phase and we look forward to introducing the new vessels.

Subsequent events

In the opinion of the Directors, no items, transactions or events of a material or unusual nature have arisen between the end of the 2018/19 financial year and the date of this report that could significantly affect the operations of the Company, the results of its operations, or the state of its affairs in future financial years.

Future developments

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

Environmental regulations

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

Dividends

A special dividend of $40.0 million was declared and paid during the 2018/19 financial year.

Indemnity and insurance for officers and auditors

The Company paid $45,000 in insurance premiums for the year in respect of Directors' and officers' liability for current and former Directors of the Company.

The insurance premiums relate to:

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

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

International travel

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

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

International travel in the year ended 30 June 2019

Position	Number of trips	Cost of travel $'000
Directors	1	16
CEO	5	73
Company representatives	15	179

Auditor's independence declaration

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

Rounding off

The Company is of the kind referred to by the Australian Securities and Investments Commission (ASIC) in its *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. In accordance with that instrument, amounts in the Directors' report have been rounded to the nearest thousand dollars, unless otherwise indicated.

Directors' meetings

The following table sets out the number of Directors' meetings, including meetings of Directors' committees, held during the financial year, and the number of meetings each Director attended while they were a Director or committee member. During the financial year, the Company held 11 Board meetings, four Audit and Risk Committee meetings, three Remuneration Committee meetings and one Director Nomination Committee meeting. There were no separate Vessel Replacement and Procurement Committee meetings held; however, all relevant documents and decisions in relation to the vessel replacement project were presented and made at the full Board meetings.

	Board		Audit and Risk Committee		Remuneration Committee		Vessel Replacement and Procurement Committee		Director Nomination Committee	
Director	**Attended**	**Held[1]**	**Attended**	**Held[1]**	**Attended**	**Held[1]**	**Attended**	**Held[1]**	**Attended**	**Held [1]**
Mr M Grainger	11	11	4	4	3	3	–	–	1	1
Capt. R Burgess	11	11	–	–	–	–	–	–	1	1
Ms S Ewart	11	11	4	4	3	3	–	–	1	1
Ms C Filson	11	11	4	4	–	–	–	–	1	1
Ms H Galloway	11	11	4	4	–	–	–	–	1	1
Mr R Heazlewood	5	5	–	–	2	2	–	–	1	1
Mr B Dwyer	10	11	–	–	–	–	–	–	1	1

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

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

On behalf of the Directors

M Grainger

S M Ewart

S Ewart

Directors

Hobart, 13 August 2019

Tasmanian Audit Office

Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
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13 August 2019

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 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

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

Yours sincerely

Rod Whitehead
Auditor-General

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Tasmanian Audit Office

Independent Auditor's Report

To the Members of TT-Line Company Pty Ltd

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of TT-Line Company Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2019, the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

(a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended

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

Basis for Opinion

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

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

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 13 August 2019 and included in the Directors' Report, would be in the same terms if provided to the directors at the time of this auditor's report.

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Valuation of vessels and depreciation expense *Refer to note B3*	
The Company's vessels were recognised at fair value of $219.16m, based on an independent market valuation performed by external experts. The valuation is impacted by market factors and foreign currency exchange rates. Fluctuations in vessel valuations can have significant impact on the Company's results and financial position. The calculation of vessel depreciation, totalling $4.15m, involves estimation of useful lives and residual values which involves a high degree of subjectivity. Changes in useful lives or residual values can significantly impact the depreciation charged. This is a key audit matter due to the high dollar values involved together with the inherent volatility and subjectivity associated with the valuation and depreciation of the vessels.	• Evaluating the valuation methodology used and work performed by management's expert. • Assessing the competence of management's expert in accordance with Auditing Standards. • Examining the treatment of capital and maintenance expenditures and considering their impact on the vessels' valuation. • Evaluating depreciation methodology, including judgements and assumptions used. • Reviewing the calculation of vessel depreciation. • Assessing the adequacy of relevant disclosures in the financial report.
Revenue from the provision of services and revenue received in advance *Refer to notes A1 and B6*	
Revenue of $241.67m from passenger and freight services is processed through the Company's reservation system, the majority of which is through internet bookings. This revenue is brought to account on a voyage-by-voyage basis at the date of the vessel's departure. Cash received for future voyages is treated as revenue received in advance, $19.85m, and is a significant liability at year-end. Revenue is a key audit matter due to the amounts involved and complexity of determination.	• Evaluating the design and implementation of relevant application controls in the reservations system. • Confirming processing controls to support the completeness, accuracy and integrity of booking transactions originating online and processed through the reservations system. • Examining reconciliations of information from the reservation system to the general ledger. • Performing analytical procedures to assess revenue generated.

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Corporate Governance Statement and Directors' Report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Rod Whitehead
Auditor-General

Tasmanian Audit Office

15 August 2019
Hobart

DIRECTORS' DECLARATION

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

    a) the financial statements and notes that are set out on pages 37 to 80 are in accordance with the *Corporations Act 2001* (Cth), including:

        i. giving a true and fair view of the Company's financial position as at 30 June 2019 and its performance for the financial year ended on that date; and

        ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

    b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2019.

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

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

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

On behalf of the Directors

M Grainger

S M Ewart

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S Ewart

Directors

Hobart, 13 August 2019

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
REVENUE			
Operating revenue	A1	254,822	240,457
Investment revenue and foreign currency gains	A1	3,041	2,198
Other revenue	A1	2,385	1,968
Other gains	A1	8	8
Total revenue		**260,256**	**244,631**
Employee benefit expenses	A2	(75,050)	(74,448)
Other expenses	A2	(125,697)	(118,424)
Finance costs	A2	(688)	(367)
Asset revaluation	B3	(1,141)	11,998
PROFIT BEFORE TAX		**57,680**	**63,390**
Tax-equivalent (expense)	A3	(13,536)	(19,020)
PROFIT FOR THE YEAR		**44,144**	**44,370**

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
PROFIT FOR THE YEAR		**44,144**	**44,370**
Other comprehensive income/(expense) for the year, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Recognised actuarial gains/(losses)	C3	(532)	(32)
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	–	10
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging reserve gains/(losses)	D3	(16,421)	(10,343)
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	3,172	3,103
Total other comprehensive income/(expense) for the year, net of tax		**(13,781)**	**(7,262)**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**30,363**	**37,108**

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 $'000	2018 $'000
CURRENT ASSETS			
Cash and cash equivalents	B1	187,861	197,901
Trade and other receivables	B2	16,696	13,962
Inventories	B7	3,053	2,735
Other	B2	4,471	10,702
TOTAL CURRENT ASSETS		**212,081**	**225,300**
NON-CURRENT ASSETS			
Property, plant and equipment	B3	231,788	224,490
Intangibles	B4	1,612	2,441
Income tax receivable		5,782	–
Other	B2	–	1,556
TOTAL NON-CURRENT ASSETS		**239,182**	**228,487**
TOTAL ASSETS		**451,263**	**453,787**
CURRENT LIABILITIES			
Trade and other payables	B6	12,296	15,464
Income tax payable		–	8,950
Provisions	C1	14,806	13,369
Other	B6	21,135	22,798
TOTAL CURRENT LIABILITIES		**48,237**	**60,581**
NON-CURRENT LIABILITIES			
Deferred tax liability (net of deferred tax asset)	A3	14,169	3,805
Provisions	C1	9,201	9,468
Other	B6	26,715	17,355
TOTAL NON-CURRENT LIABILITIES		**50,085**	**30,628**
TOTAL LIABILITIES		**98,322**	**91,209**
NET ASSETS		**352,941**	**362,578**
EQUITY			
Share capital		409,981	409,981
Cash flow hedging reserve	D3	(19,807)	(6,558)
Accumulated losses		(37,233)	(60,749)
Profits reserve		–	19,904
TOTAL EQUITY		**352,941**	**362,578**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Share capital	Cash flow hedging reserve	Accumulated losses	Profits reserve	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017		**328,981**	**682**	**(60,749)**	**15,556**	**284,470**
Profit for the year		–	–	44,370	–	**44,370**
Transfers		–	–	(44,348)	44,348	**–**
Other comprehensive income/(expense) for the year	D3	–	(7,240)	(22)	–	**(7,262)**
Total comprehensive income/(expense) for the year		**–**	**(7,240)**	**–**	**44,348**	**37,108**
Payment of dividends		–	–	–	(40,000)	**(40,000)**
Equity contribution		81,000	–	–	–	**81,000**
Balance at 30 June 2018		**409,981**	**(6,558)**	**(60,749)**	**19,904**	**362,578**
Profit for the year		–	–	44,144	–	**44,144**
Transfers		–	–	19,904	(19,904)	**–**
Other comprehensive income/(expense) for the year	D3	–	(13,249)	(532)	–	**(13,781)**
Total comprehensive income/(expense) for the year		**–**	**(13,249)**	**63,516**	**(19,904)**	**30,363**
Payment of dividends		–	–	(40,000)	–	**(40,000)**
Equity contribution		–	–	–	–	**–**
Balance at 30 June 2019		**409,981**	**(19,807)**	**(37,233)**	**–**	**352,941**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		303,417	292,839
Interest and foreign currency gains received		2,959	2,535
Cash payments in the course of operations		(246,779)	(230,189)
Interest paid		(297)	–
Income tax paid		(14,732)	–
Net cash provided by operating activities	**A4**	**44,568**	**65,185**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		158	221
Payments for property, plant and equipment and major cyclical maintenance		(14,766)	(14,400)
Dividend paid		(40,000)	(40,000)
Net cash (used) by investing activities		**(54,608)**	**(54,179)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity contribution		–	81,000
Net cash provided by financing activities		**–**	**81,000**
Net increase in cash held		(10,040)	92,006
Cash and cash equivalents at the beginning of the financial year		197,901	105,895
Cash and cash equivalents at the end of the financial year		**187,861**	**197,901**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

General information

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

No. 1 Berth, The Esplanade

East Devonport Tasmania 7310

Telephone: (03) 6419 9000

Facsimile: (03) 6419 9345

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

The Company is a State-owned company, the shareholders being the Tasmanian Treasurer and the Tasmanian Minister for Infrastructure and Transport.

Basis of preparation

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

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

The Directors authorised the financial statements for issue on 13 August 2019.

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

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

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

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

The Company is of the kind referred to in ASIC's *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. In accordance with that instrument, amounts in the financial report are rounded to the nearest thousand dollars unless otherwise indicated.

Key judgements and estimates

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

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

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

Note	Assumptions and estimates
B3	Useful lives of assets
B3	Fair value measurement and valuation processes
C1	Employee provisions
C3	Post-employment benefits
D3/D4	Fair value measurement of financial instruments

Notes to the financial statements

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

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

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

These sections comprise:

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

Significant changes in the current reporting period

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

Events after the reporting date

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

A – Financial performance

This section provides further information in respect to the financial performance of the Company for the year ended 30 June 2019. The focus is on revenue, expenses and cash flow disclosures. Certain operational expenses such as impairments are disclosed in the notes with the associated operating asset or liability in section B 'Asset platform and operating liabilities'. Employee-related expenses are disclosed in section C 'People'.

A1 Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable. The breakdown of the Company's revenue from continuing operations for the period is shown below and has been disaggregated based on the revenue source.

Disaggregation of revenue	2019 $'000	2018[1] $'000
Revenue from the provision of passenger services	145,840	138,878
Revenue from the provision of freight services	95,830	87,707
Revenue from the sale of goods on-board (including food and beverages)	10,971	11,448
Revenue from the provision of hotel services (including accommodation, food and beverages)	1,391	1,640
Revenue from rental agreements and gaming	790	784
Operating revenue	**254,822**	**240,457**
Investment revenue and foreign currency gains[2]	**3,041**	**2,198**
Other revenue[3]	**2,385**	**1,968**
Other gains[4]	**8**	**8**
Total operating revenue	**260,256**	**244,631**

1. Prior year comparatives have been restated in line with the disclosure requirements of AASB 15 *Revenue from contracts with customers*

2. Interest income and gains on foreign currency instruments

3. Insurance recoveries.

4. Gain on disposal of property, plant and equipment. No other gains or losses were incurred in respect of loans and receivables or held-to-maturity investments, other than impairment recognised or reversed in respect of trade receivables as disclosed in note B2 'Receivables and other assets'.

Recognition and measurement

Revenue from the provision of passenger and freight services

Revenue from providing shipping services is brought to account on a voyage-by-voyage basis at the date of a vessel's departure. Cash received for future voyages is treated as revenue received in advance, and is disclosed as a liability in the statement of financial position until the date of a vessel's departure. The ageing profile of the revenue received in advance as at the reporting date is included in B6 'Payables and other liabilities'.

Payment terms depend on the customer contract. Bookings are either paid at the time of booking (76 per cent of bookings were paid at the time of booking compared to 75 per cent last year) or in arrears and recognised as a receivable in the balance sheet. See B2 'Receivables and other assets' for further details.

Terms and conditions (including cancellation fees and refund obligations) depend on the fare type and are available at spiritoftasmania.com.au.

Revenue from the sale of goods on-board

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.

Goods for sale include food and beverages and miscellaneous items including Tasmanian souvenirs.

The majority of sales take place during sailing, with very few items available for pre-purchase.

Revenue from the provision of hotel services

Revenue from hotel trading activities is recognised on a night-by-night basis, commencing when the guest checks in or at the date of the point-of-sale transaction. Goods and services for sale include short-term accommodation, restaurant food and bar and bottle shop beverages.

Payment terms depend on the customer contract. Bookings are either paid at the time of check-in or in arrears, and recognised as a receivable in the balance sheet. See B2 'Receivables and other assets' for further details.

Under the cancelation policy for hotel accommodation, customers must give 24 hours' notice in advance or they are charged the full price.

Revenue from rental agreements and gaming

Revenue from rental agreements and gaming includes floor space rental, both on-board and in the two passenger terminals, and commissions on hotel gaming.

Revenue from rental agreements and commissions on gaming is recognised on a monthly or weekly basis, in line with the reporting period.

Customer contract payment terms vary, depending on the revenue source, and are set out in signed agreements with customers.

Investment revenue

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

Other revenue

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

A2 Expenses

Profit from continuing operations was calculated after charging the following.

Employee benefit expenses	2019 $'000	2018 $'000
Defined contribution plans	5,446	5,306
Defined benefit plans	194	176
Termination benefits[1]	238	1,119
Other employee benefits	69,172	67,847
Total employee benefit expenses	**75,050**	**74,448**

Other expenses	2019 $'000	2018 $'000
Depreciation	5,353	6,014
Amortisation[2]	1,656	1,443
Terminal operations	33,554	31,907
Administration[3]	11,676	11,311
Security	3,703	3,463
Food and beverages	3,882	3,582
Consumables	5,389	5,376
Repairs and maintenance	11,424	11,044
Bunker fuel and oil	34,880	31,303
Customer acquisition	14,180	12,981
Total other expenses	**125,697**	**118,424**

Finance costs	Note	2019 $'000	2018 $'000
Interest cost – defined benefit superannuation plan	C3	391	367
Interest cost – foreign currency accounts		297	–
Total finance costs		**688**	**367**

1. Annual leave, long service leave and other entitlements paid on termination

2. Leasehold improvements and intangibles

3. The impairment allowance for receivables and other assets (note B2: Receivables and other assets) for the reporting period is immaterial and has been included as an administration cost.

Recognition and measurement

Employee benefit expenses

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

Depreciation and amortisation

Refer to notes B3 'Property, plant and equipment' and B4 'Intangible assets – software' for depreciation and amortisation accounting policies, respectively.

A3 Taxation

Under instructions from the Treasurer of Tasmania, the Company is subject to the National Tax Equivalent Regime, which is broadly based on the provisions of the Commonwealth laws on income tax assessment.

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

Tax-equivalent expense	2019 $'000	2018 $'000
Origination and reversal of temporary differences:		
Increase in deferred tax liability	2,936	6,112
Decrease in deferred tax asset	10,599	3,958
Provision for income tax payable	–	8,950
Total tax-equivalent expense	**13,535**	**19,020**

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

Current period tax expense reconciliation	2019 $'000	2018 $'000
Profit before tax-equivalent expense	57,680	63,390
Prima facie tax-equivalent expense[1]	**17,140**	**19,017**
Non-deductible entertainment	2	3
Derecognise DTA/DTL due to shipping exemption[2]	11,825	–
Net exempt income	(15,432)	–
Tax-equivalent expense recognised in the current period[3]	**13,536**	**19,020**

1. The tax rate used for the 2019 reconciliation is the corporate tax rate of 30 per cent (2018: 30 per cent) payable by Australian corporate entities on taxable profits under Australian tax law.

2. DTA (deferred tax asset) and DTL (deferred tax liability).

3. Related to continuing operations.

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

Tax recognised in other comprehensive income	2019 $'000	2018 $'000
Tax-equivalent impact of actuarial (losses)/gains	–	(10)
Tax-equivalent impact of revaluation in cash flow hedging reserve	(3,172)	(3,103)
Net tax-equivalent (benefit)/expense attributable to transactions recognised in other comprehensive income	**(3,172)**	**(3,113)**

Recognition and measurement

Current tax

The tax currently payable is based on taxable profit for the period ended 30 June 2019. 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.

Revenue associated with operating *Spirit of Tasmania I* and *II* is exempt from income tax from 26 November 2018 pursuant to section 51-100 of the *Income Tax Assessment Act 1997* (Cth) and is expected to remain exempt for the duration of the operation of these vessels.

Deferred tax

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

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

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

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

The deferred tax balances associated with the Company's shipping operations have been derecognised due to the application of the shipping income tax exemption. However, the deferred tax liability on *Spirit of Tasmania I* and *II* has been recognised on the basis that any future sale of the vessels remains taxable. Tax losses that can be offset against any future gain on a sale have also been recognised.

Tax benefits not recognised

Tax benefits not recognised as deferred tax assets were capital losses of $116,000 (2018: $116,000).

Current and deferred tax for the period

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

Deferred tax assets and liabilities are attributable to the following:

2019	Balance at 1 July 2018 $'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 2019 $'000
Deferred tax assets					
Employee provisions	6,696	–	(6,649)	–	47
Other provisions	–	–	–	–	–
Other accruals	85	–	(85)	–	–
Derivative asset – hedging	2,811	–	(5,983)	3,172	–
Tax losses	–	–	2,407	–	2,407
Vessel replacement expenditure	289	–	(289)	–	–
Total deferred tax assets	**9,881**	**–**	**(10,599)**	**3,172**	**2,454**
Deferred tax liabilities					
Consumables	(369)	–	369	–	–
Property, plant and equipment	(12,871)	–	(3,752)	–	(16,623)
Provisions	(446)	–	446	–	–
Total deferred tax liabilities	**(13,686)**	**–**	**(2,937)**	**–**	**(16,623)**
Net deferred tax liabilities	**(3,805)**	**–**	**(13,536)**	**3,172**	**(14,169)**

2018	Balance at 1 July 2017 $'000	Recognised in profit or loss (prior periods) $'000	Recognised in profit or loss (movement) $'000	Recognised in other comprehensive income $'000	Balance at 30 June 2018 $'000
Deferred tax assets					
Employee provisions	6,584	–	102	10	6,696
Other provisions	2	–	(2)	–	–
Other accruals	–	–	85	–	85
Derivative asset – hedging	(292)	–	–	3,103	2,811
Tax losses	4,432	–	(4,432)	–	–
Vessel replacement expenditure	–	–	289	–	289
Total deferred tax assets	**10,726**	**–**	**(3,958)**	**3,113**	**9,881**
Deferred tax liabilities					
Consumables	(354)	–	(15)	–	(369)
Property, plant and equipment	(6,680)	–	(6,191)	–	(12,871)
Provisions	(540)	–	94	–	(446)
Total deferred tax liabilities	**(7,574)**	**–**	**(6,112)**	**–**	**(13,686)**
Net deferred tax liabilities	**3,152**	**–**	**(10,070)**	**3,113**	**(3,805)**

A4 Cash flows

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

Cash provided by operating activities	2019 $'000	2018 $'000
Profit for the year	**44,144**	**44,370**
Gain on the sale of assets	(8)	(8)
Asset impairment reversal	1,141	(11,998)
Depreciation	5,353	6,014
Amortisation	1,656	1,443
Non-cash income tax expense/(benefit)	(1,196)	19,020
Movements in working capital		
(Increase)/decrease in trade and other receivables	(2,734)	(585)
(Increase)/decrease in inventories	(318)	111
(Increase)/decrease in prepaid expenses and other	(609)	(205)
Increase/(decrease) in trade and other payables	(3,170)	2,359
Increase/(decrease) in revenue received in advance	(329)	4,168
Increase/(decrease) in provisions[1]	638	496
Net cash provided by operating activities	**44,568**	**65,185**

1. Excluding movements in provisions through equity.

Recognition and measurement

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

B – Asset platform and operating liabilities

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

B1 Cash and cash equivalents

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

Cash and cash equivalents	2019 $'000	2018 $'000
Cash on hand	123	125
Cash at bank	187,738	197,776
Total cash and cash equivalents	**187,861**	**197,901**

The current year cash at bank includes $142.8 million of restricted funds, which are being held for committed capital expenditure. Total unrestricted cash and cash equivalents at the reporting date is $45.0 million (2018: $57.0 million).

B2 Receivables and other assets

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

Trade and other receivables	2019 $'000	2018 $'000
Trade receivables	13,633	12,036
Allowance for impairment	–	(1)
Total trade receivables	**13,633**	**12,035**
Other receivables	3,063	1,927
Total trade and other receivables	**16,696**	**13,962**

The Company recognises impairment allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. When determining whether the credit risk has increased significantly since initial recognition, and when estimating the ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, an informed credit assessment and forward-looking information. The Company's assessment is made on an individual basis.

The trade receivable balances in the following table have been reviewed and not been impaired as a result of the Company's analysis at the reporting date.

Ageing past due but not impaired	2019 $'000	2018 $'000
Not past due	8,355	7,815
0–30 days	5,054	3,816
31–60 days	219	367
>60 days	5	37
Total ageing past due but not impaired	**13,633**	**12,035**

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

Other assets	2019 $'000	2018 $'000
Derivative asset – fuel and foreign currency hedge[1]	2,208	10,604
Prepaid expenses and other	2,263	1,654
Total other assets	**4,471**	**12,258**
Current	4,471	10,702
Non-current	–	1,556
Total other assets	**4,471**	**12,258**

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

Recognition and measurement

The average credit period taken on all sales of goods and services was 23 days (2018: 23 days). No interest is charged on trade receivables.

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

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

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

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

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

B3 Property, plant and equipment

The reconciliation of the opening and closing balances of property, plant and equipment at 30 June 2019 is shown below.

Property, plant and equipment	Vessels at fair value $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Buildings at fair value $'000	Freehold land at cost $'000	Capital works in progress at cost $'000	Total $'000
Gross book value	193,366	15,918	13,022	2,150	500	–	224,956
Accumulated depreciation	–	(9,890)	(9,606)	–	–	–	(19,496)
Closing net book value at 30 June 2017	**193,366**	**6,028**	**3,416**	**2,150**	**500**	**–**	**205,460**
Movements in net book value							
Acquisitions	2,528	180	643	13	–	825	4,190
Major cyclical maintenance	9,547	–	–	–	–	–	9,547
Disposals	–	–	(213)	–	–	–	(213)
Depreciation and amortisation	(4,774)	(477)	(1,157)	(83)	–	–	(6,491)
Asset revaluation	11,998	–	–	–	–	–	11,998
Gross book value	212,665	16,099	13,452	2,163	500	825	245,704
Accumulated depreciation	–	(10,368)	(10,763)	(83)	–	–	(21,214)
Closing net book value at 30 June 2018	**212,665**	**5,731**	**2,689**	**2,080**	**500**	**825**	**224,490**
Movements in net book value							
Acquisitions	3,531	65	1,116	169	–	1,242	6,123
Major cyclical maintenance	8,299	–	–	–	–	–	8,299
Disposals	–	–	(150)	–	–	–	(150)
Depreciation and amortisation	(4,149)	(484)	(1,109)	(91)	–	–	(5,833)
Asset revaluation	(1,183)	–	–	42	–	–	(1,141)
Gross book value	219,163	16,164	13,670	2,200	500	2,067	253,764
Accumulated depreciation	–	(10,852)	(11,124)	–	–	–	(21,976)
Closing net book value at 30 June 2019	**219,163**	**5,312**	**2,546**	**2,200**	**500**	**2,067**	**231,788**

Recognition and measurement

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

Fair value:

- vessels
- buildings.

Cost:

- leasehold improvements
- plant and equipment
- freehold land
- capital works in progress.

Fair value

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

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

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

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

A revaluation increase is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss. In that case, the increase is credited to profit or loss to the extent of the decrease previously expensed. In this regard, $43.8 million of impairment expense recognised in profit or loss in previous years relating to the current vessels and Edgewater Hotel may be credited to the profit in future periods should the fair value of the vessels exceed the carrying amount as at the date of measurement at future reporting dates.

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

Current valuations

Vessels

Mason Shipbrokers Limited and Simsonship AB provided independent valuations of the vessels at 30 June 2019. As the prevailing market for these types of vessels is predominantly in Europe, the valuation is provided in euros and translated at the prevailing exchange rate on the reporting date. No allowance was made for transport costs as they cannot be reliably determined.

The valuation of each vessel, in Australian dollars, increased from $106.3 million to $109.6 million between 2018 and 2019. The value in euros has remained the same at €67.5 million. The $6.5 million increase in the fair value of both vessels was the result of a favourable movement in the Australian dollar and euro exchange rate. In addition to the $6.5 million increase in fair value for both vessels during the year, they were depreciated $4.1 million during the year and also underwent $11.8 million worth of improvements and periodic maintenance. The result of these movements was a $1.2 million vessel revaluation decrement, which is recognised in the statement of profit or loss.

If the vessels, plus any additions (excluding periodic maintenance) had been carried at cost, the depreciated carrying value of both vessels would be $215.8 million.

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Buildings

Australian Property Institute member Matthew Page of the independent valuer Knight Frank assessed the land and buildings of the Edgewater Hotel to determine their value at 30 June 2019. The freehold land has remained at cost and the buildings were measured at fair value. The valuation was determined by reference to market transactions on arm's length terms.

Asset revaluation recognised in profit or loss	2019 $'000	2018 $'000
Vessels		
Increase/(decrease) in fair value	6,498	19,299
Improvements and periodic maintenance	(11,830)	(12,075)
Gross revaluation (decrement)	**(5,332)**	**7,224**
Depreciation	4,149	4,774
Vessel revaluation recognised in profit or loss	**(1,183)**	**11,998**
Buildings		
Increase in fair value	50	–
Improvements	(182)	–
Gross revaluation increment	**(132)**	**–**
Depreciation	174	–
Building revaluation recognised in profit or loss	**42**	**–**
Total asset revaluation recognised in profit or loss	**(1,141)**	**11,998**

Depreciation

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

Each vessel is dry docked for major cyclical maintenance in alternate years. In accordance with the Company's depreciation policy, the total dry dock costs are capitalised and depreciated 50 per cent in the year incurred and 50 per cent in the following year.

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

Leasehold improvements	12–40 years
Buildings	30 years
Vessels	25 years
Plant and equipment	3–10 years

Estimations

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

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

The residual value of the vessels has also been revised, with consideration of their current market value and the reduced remaining useful life. The estimated residual value has increased to $109.5 million from $101.1 million. The revised residual value for the current year exceeded the carrying amount of the vessels and depreciation was reduced to nil.

A 10 per cent increase in the residual value of the vessels would result in nil depreciation in the statement of profit or loss, and no change in the carrying value of property, plant and equipment in the statement of financial position, as the residual value would have increased to greater than the carrying amount of the vessels. A 10 per cent decrease in the residual value of the vessels would result in a $3.1 million increase in depreciation in the statement of profit or loss and a corresponding $3.1 million decrease in the carrying value of property, plant and equipment in the statement of financial position.

A one-year increase or decrease in the vessels' remaining estimated economic life would result in nil depreciation in the statement of profit or loss, and no change in the carrying value of property, plant and equipment in the statement of financial position as the residual value has exceeded the carrying amount of the vessels.

Derecognition of property, plant and equipment

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

Capital expenditure

The Company has committed capital expenditure for the vessels' annual dry dock and new vessel build of $764.3 million (2018: $763.1 million).

B4 Intangible assets – software

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

Intangible assets – software	2019 $'000	2018 $'000
Gross book value	8,017	7,353
Accumulated amortisation	(5,576)	(4,610)
Opening net book value at 1 July	**2,441**	**2,743**
Acquisitions	343	664
Amortisation	(1,172)	(966)
Gross book value	8,360	8,017
Accumulated amortisation	(6,748)	(5,576)
Closing net book value at 30 June	**1,612**	**2,441**

Recognition and measurement

Intangible assets acquired separately

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

Useful life

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

Derecognition of intangible assets

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

B5 Impairment of tangible and intangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see note B3 'Property, plant and equipment').

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

B6 Payables and other liabilities

The composition of trade and other payables and other liabilities at the reporting date is shown below.

Trade and other payables	2019 $'000	2018 $'000
Trade and other payables	**12,296**	**15,464**

Other liabilities	2019 $'000	2018 $'000
Derivative liability – fuel hedge	11	–
Derivative liability – foreign currency hedge	27,988	19,973
Revenue received in advance and other liabilities	19,851	20,180
Total other liabilities	**47,850**	**40,153**
Current	21,135	22,798
Non-current	26,715	17,355
Total other liabilities	**47,850**	**40,153**

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

Revenue has been received in advance for 24,481 bookings (2018: 25,538) for future sailings and the ageing profile at the reporting date is shown below.

Revenue received in advance Ageing profile	2019 $'000	2018 $'000
Overpaid	95	117
1–3 months	16,478	16,864
4–6 months	34	42
6–12 months	23	7
>12 months	4	3
Total revenue in advance	**16,634**	**17,033**

Recognition and measurement

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

The average credit period received on purchases of goods and services was 25 days (2018: 24 days). The Company has financial risk management policies in place to ensure payables are paid within pre-arranged credit terms where practical.

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

B7 Inventories

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

Inventories	2019 $'000	2018 $'000
Bunker fuel	1,677	1,178
Maintenance stock	873	758
Food and beverage stock	503	799
Total inventories	**3,053**	**2,735**

Recognition and measurement

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

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

The cost of inventories recognised as an expense during the period in respect of continuing operations was $55.8 million (2018: $46.4 million).

C – People

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

C1 Employee provisions

The components of employee provisions at the reporting date are shown below.

Provisions	2019 $'000	2018 $'000
Workers compensation[1]	473	513
Long service leave	8,710	7,895
Annual leave	7,096	6,757
Defined benefit obligation[2]	7,728	7,672
Total provisions	**24,007**	**22,837**
Current	14,806	13,369
Non-current	9,201	9,468
Total provisions	**24,007**	**22,837**

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

2. See note C3 'Post-employment benefits'.

Recognition and measurement

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

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

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

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

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

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

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

C2 Director and key management personnel compensation

The aggregate compensation made to Directors and other key management personnel is shown below.

Director and key management personnel compensation	Director remuneration[1] 2019 $'000	Director remuneration[1] 2018 $'000	Executive remuneration[2] 2019 $'000	Executive remuneration[2] 2018 $'000	Total 2019 $'000	Total 2018 $'000
Short-term employee benefits	283	303	3,046	2,869	3,329	3,172
Post-employment benefits	27	29	223	209	250	238
Long-term benefits	–	–	110	(246)	110	(246)
Termination benefits	–	–	–	785	–	785
Total	**310**	**332**	**3,379**	**3,617**	**3,689**	**3,949**

1. Director remuneration short-term employee benefits include directors' fees and committee fees. No other benefits were paid during the current or prior year. Post-employment benefits represents superannuation contributions.

2. Executive remuneration short-term employee benefits includes base salary, incentive payments, vehicles, other benefits and other non-monetary benefits. Post-employment benefits represents superannuation contributions and other long-term employee benefits, including leave movements. Termination benefits are provided for below.

Remuneration principles

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

Non-executive Directors

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

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

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

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

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

Key management personnel

The Company has a Board-endorsed remuneration policy that is consistent with the Tasmanian Department of Treasury and Finance's guidelines for director and executive remuneration dated July 2019. Under these guidelines, the remuneration band for the CEO is determined by the Government Business Executive Remuneration Advisory Panel. Positioning within the bands depends on the complexity and size of the business, and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's remuneration.

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

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

Standard terms of employment for new senior executives include termination clauses that require the senior executive to provide a three-notice period, with the Company to provide a minimum six-month notice period before terminating the contract.

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

Incentive payments

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

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

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

Short-term incentives	2019 $
Mr P Davis	21,000
Mr N Harriman	28,000
Ms K Holandsjo	21,000
Mr K Maynard	10,000
Mr J McGrath	38,000
Capt. S Michael	21,000
Ms E Rojas	21,000
Ms K Sayers	30,000
Mr I Whitechurch	21,000

Termination benefits

A termination payment of $21,000 was made to Mr T Harlow during the current year. He ceased employment on 4 July 2018. The termination payment represented the balance of accrued annual leave.

Acting arrangements

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

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

There were no acting arrangements for the current year.

Directors' remuneration

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

2019 Director remuneration[1]	Period	Directors' fees $'000	Committee fees $'000	Superannuation[2] $'000	Total $'000
Non-executive Directors					
Mr M Grainger – Chairman	Full term	81	5	8	94
Capt. R Burgess	Full term	40	–	4	44
Ms S Ewart	Full term	40	7	5	52
Ms C Filson	Full term	40	5	4	49
Ms H Galloway	Full term	40	5	4	49
Mr R Heazlewood	To November 2018	20	–	2	22
Executive Director[3]					
Mr B Dwyer – CEO	Full year	–	–	–	–
Total		**261**	**22**	**27**	**310**

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

1. Amounts are all forms of consideration paid, payable or provided by the Company; i.e. disclosure is made on an accruals basis at 30 June.

2. Superannuation means the contribution to the individual's superannuation fund.

3. The CEO does not receive additional remuneration in his capacity as an Executive Director.

Executive remuneration

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

2019 Executive remuneration[1]	Base salary[2] $'000	Incentive payments[3] $'000	Superannuation[4] $'000	Vehicles[5] $'000	Other monetary benefits[6] $'000	Other non-monetary benefits[7] $'000	Total remuneration $'000	Termination benefits[8] $'000	Other long-term benefits[9] $'000	Total $'000
Mr B Dwyer *CEO (full year)*	459	–	21	25	–	–	**505**	–	15	**520**
Mr P Davis *General Manager Port Operations (full year)*	196	21	21	18	–	3	**259**	–	29	**287**
Mr T Harlow *Chief Information Officer (to 4 July 2018)*	21	–	–	6	–	–	**27**	–	(21)	**6**
Mr N Harriman *General Manager Retail & Hospitality (full year)*	236	28	23	17	–	–	**304**	–	7	**311**
Ms K Holandsjo *General Manager Passenger Sales (full year)*	194	21	20	15	–	8	**258**	–	13	**271**
Mr K Maynard *General Manager Corporate Services (full year)*	200	10	20	13	–	–	**243**	–	–	**243**
Mr J McGrath *General Manager Human Resources (full year)*	279	39	24	22	–	3	**366**	–	2	**368**
Capt. S Michael *General Manager Marine Operations (full year)*	306	21	23	21	–	–	**371**	–	19	**390**
Mr S Pearce *Chief Information Officer (from August 2018)*	148	–	14	10	2	–	**174**	–	7	**181**
Ms E Rojas[12] *General Manager Marketing (full year)*	111	21	14	–	16	–	**162**	–	13	**175**
Ms K Sayers *Chief Financial Officer (full year)*	285	30	23	18	–	–	**356**	–	25	**381**
Mr I Whitechurch *General Manager Freight Sales (full year)*	185	21	20	14	–	4	**244**	–	1	**245**
Total	**2,620**	**211**	**223**	**179**	**18**	**18**	**3,269**	**–**	**110**	**3,379**

2018 Executive remuneration[1]	Base Salary[2] $'000	Incentive payments[3] $'000	Superannuation[4] $'000	Vehicles[5] $'000	Other Monetary benefits[6] $'000	Other non-monetary benefits[7] $'000	Total remuneration $'000	Termination benefits[8] $'000	Other long-term benefits[9] $'000	Total $'000
Mr B Dwyer										
CEO (full year)	424	–	20	22	–	1	467	–	43	510
Mr P Davis[10]										
General Manager Port Operations (from September 2017)	144	12	15	11	–	–	182	–	(3)	179
Mr P Guarino										
General Manager Freight Services & Port Operations (to August 2017)	51	–	3	12	–	3	69	761	(334)	496
Mr T Harlow										
Chief Information Officer (full year)	169	17	18	24	–	11	239	–	11	250
Mr N Harriman										
General Manager Retail & Hospitality (full year)	230	29	23	18	–	2	302	–	16	318
Ms K Holandsjo[11]										
General Manager Passenger Sales (from January 2018)	79	4	8	4	–	1	96	–	(2)	94
Mr K Maynard										
General Manager Corporate Services (full year)	195	13	20	14	–	–	242	–	5	247
Mr S McCall										
Chief Financial Officer (to September 2017)	54	–	4	8	2	17	85	24	(51)	58
Mr J McGrath										
General Manager Human Resources (full year)	272	33	23	18	–	3	349	–	24	373
Capt. S Michael										
General Manager Marine Operations (full year)	299	25	22	16	–	–	362	–	24	386
Ms E Rojas[12]										
General Manager Marketing (full year)	169	26	21	–	25	–	241	–	(4)	237
Ms K Sayers[13]										
Chief Financial Officer (from August 2017)	211	–	17	12	–	–	240	–	15	255
Mr I Whitechurch[14]										
General Manager Freight Sales (from September 2017)	146	12	15	12	–	19	204	–	10	214
Total	**2,443**	**171**	**209**	**171**	**27**	**57**	**3,078**	**785**	**(246)**	**3,617**

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

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

3. Incentive payments are paid in cash and include both short and long-term incentives. Short-term incentive payments are non-recurrent payments that depend on achieving specified performance goals within specified timeframes. Short-term incentive payments are capped at 15 per cent of total remuneration.

4. Superannuation means the contribution to the individuals superannuation fund.

5. Vehicles includes the cost of providing and maintaining vehicles for private use, including registration, insurance, fuel and other consumables, maintenance costs and fringe benefits tax.

6. Other monetary benefits includes all other forms of employment allowances (excluding expense reimbursements) and other compensation paid and payable, including motor vehicle allowances.

7. Other non-monetary benefits includes all other benefits that are part of the total remuneration package, for the purposes of assessing compliance with the remuneration guidelines (e.g. fringe benefits tax on the sale of vehicles and tolls).

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

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

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

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

12. Ms E Rojas is a member of the key management personnel for the full year, but she has had four months leave without pay for the current reporting period.

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

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

C3 Post-employment benefits

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

The components of net defined benefit liability at the reporting date are shown below.

Reconciliation of the net defined benefit liability	2019 $'000	2018 $'000
Defined benefit obligation	9,197	9,178
Fair value of scheme assets	(1,469)	(1,506)
Net defined benefit liability	**7,728**	**7,672**
Current	71	124
Non-current	7,657	7,548
Net defined benefit liability	**7,728**	**7,672**

Reconciliation of the defined benefit obligation	2019 $'000	2018 $'000
Present value of defined benefit obligation at the beginning of the period	**9,178**	**8,667**
Current service cost	194	176
Interest cost	391	367
Contributions by plan participants	48	47
Actuarial (gains)/losses arising from changes in demographic assumptions	–	–
Actuarial (gains)/losses arising from changes in financial assumptions	1,511	73
Actuarial (gains)/losses arising from liability experience	(731)	(39)
Benefits paid	(1,394)	(113)
Estimated taxes, premiums and expenses paid	–	–
Present value of defined benefit obligation at the end of the period	**9,197**	**9,178**

Reconciliation of the fair value of scheme assets	2019 $'000	2018 $'000
Fair value of fund assets at the beginning of the period	1,506	1,441
Interest income	65	56
Actual return on plan assets less interest income	248	2
Employer contributions	996	73
Contributions by plan participants	48	47
Benefits paid	(1,394)	(113)
Taxes, premiums and expenses paid	–	–
Fair value of fund assets at the end of the period	**1,469**	**1,506**

Plan information

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

Regulatory framework

The RBF operates under the *Public Sector Superannuation Reform Act 2016* (Tas) and the Public Sector Superannuation Reform Regulations 2017 (Tas).

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

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

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

Governance responsibilities

The Superannuation Commission has fiduciary responsibility for, and oversees the administration of, the scheme. The day-to-day running of the scheme is managed by the Office of the Superannuation Commission, within the Tasmanian Department of Treasury and Finance.

Recognition and measurement

Valuation techniques

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

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

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

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

Defined benefit costs are categorised as:

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

Costs recognised in profit or loss	2019 $'000	2018 $'000
Current service	194	176
Interest	391	367
Components of defined benefit cost recognised in profit or loss	**585**	**543**

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

The Company presents the following components in other comprehensive income.

Costs recognised in other comprehensive income:	2019 $'000	2018 $'000
Actuarial (gains)/losses arising from changes in demographic assumptions	–	–
Actuarial (gains)/losses arising from changes in financial assumptions	1,511	73
Actuarial (gains)/losses arising from liability experience	(731)	(39)
Actual return on plan assets less interest income	(248)	(2)
Components of defined (benefit)/cost recognised in other comprehensive income	**532**	**32**

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

Risks

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

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

Significant events

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

Fair value of fund assets

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

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

Assets are not held separately for each reporting entity, such as TT-Line, but are held for the fund as a whole. The fair value of scheme assets for each reporting entity was estimated by allocating the total fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in the report prepared by the State's actuary (Mercer), dated 12 July 2019, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity, the State's actuary has used the Government bond yield of 1.80 per cent, to be consistent with the allocation of assets reported to the Tasmanian Department of Treasury and Finance.

Fair value of scheme assets

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

2019[1]	**Quoted prices in active markets for identical assets $'000**	**Significant observable inputs $'000**	**Unobservable inputs $'000**	**Total $'000**
Asset category				
Cash and cash equivalents	21	43	–	64
Equity instruments (Australia)	247	–	–	247
Equity instruments (international)	228	67	–	295
Infrastructure	62	138	–	200
Diversified fixed interest	–	328	–	328
Property	–	231	–	231
Alternative investments	–	104	–	104
Total	**558**	**911**	**–**	**1,469**

1. Estimated based on assets allocated to the Company at 30 June 2019 and asset allocation of the Contributory Scheme at 30 June 2018. New asset categories have been added as a result of the change in scheme administrator.

Significant actuarial assumptions at the reporting date

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

Assumptions to determine defined benefit cost and start-of-year defined benefit obligation	**2019 %**	**2018 %**
Discount rate (active members)	4.30	4.35
Discount rate (pensioners)	4.30	4.35
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	3.00	3.00
Expected pension increase rate	2.50	2.50

Assumptions to determine end-of-year defined benefit obligation	**2019 %**	**2018 %**
Discount rate (active members)	3.25	4.30
Discount rate (pensioners)	3.25	4.30
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	3.00	3.00
Expected pension increase rate	3.50	2.50

Sensitivity analysis

The defined benefit obligation at 30 June 2019, under several scenarios, is presented below. Scenarios A and B relate to discount rate sensitivity, while scenarios C and D relate to expected pension increase rate sensitivity. They are:

- scenario A: 1 per cent per annum lower discount rate assumption
- scenario B: 1 per cent per annum higher discount rate assumption
- scenario C: 1 per cent per annum lower expected pension increase rate assumption
- scenario D: 1 per cent per annum higher expected pension increase rate assumption.

	Discount rate % pa	**Pension increase rate % pa**	**Defined benefit obligation $'000**
Base case	3.25	2.50	9,197
Scenario A	2.25	2.50	11,114
Scenario B	4.25	2.50	7,728
Scenario C	3.25	1.50	8,167
Scenario D	3.25	3.50	10,462

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

Asset and liability matching strategies

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

Funding arrangements

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

Expected employer contributions	**2020 $'000**
Expected employer contributions in 2020	113

Maturity profile of the defined-benefit obligation

The weighted average duration of the defined benefit obligation for the Company is 18.8 years.

Reconciliation of the effect of the asset ceiling

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

D – Funding structure, financial assets and risk management

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

D1 Capital management

The Company's capital structure at the reporting date consists of net cash (cash and cash equivalents) and the equity of the Company (comprising issued capital, reserves and retained earnings), with a net equity position at the reporting date of $352.9 million (2018: $362.6 million).

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 a right to dividends.

Share capital	2019 $'000	2018 $'000
Ordinary shares		
Fully paid 409,981,119		
(2018: 409,981,119)	409,981	409,981

The Company manages its capital to ensure it will be able to continue as a going concern while maximising the benefit to stakeholders. The Company's overall strategy remains unchanged from 2018.

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

D2 Financial risk management objectives

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

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

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

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

Market risk management

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

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

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

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

Fuel price sensitivity analysis

The following table summarises the potential impact of reasonably possible changes in the US dollar price of bunker fuel on net profit and equity for the period ended 30 June 2019. This only reflects the impact on the financial instrument and does not reflect the cost change of bunker fuel as a whole.

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

	Net profit		Equity	
Price per metric tonne of fuel	2019 $'000	2018 $'000	2019 $'000	2018 $'000
10% increase	2,884	2,216	906	3,072
10% decrease	(2,884)	(2,216)	(906)	(3,072)

Exchange rate sensitivity analysis

The table below summarises the potential impact of reasonably possible changes in the US and Australian dollar exchange rate on net profit and equity for the period ended 30 June 2019. This only reflects the impact of the financial instrument and does not reflect the cost change of bunker fuel as a whole.

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

	Net profit		Equity	
US$/A$ exchange rate	2019 $'000	2018 $'000	2019 $'000	2018 $'000
10% increase	(2,666)	(1,991)	(824)	(2,792)
10% decrease	3,161	2,461	1,007	3,413

Foreign currency risk management

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

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

Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit for the reporting period would have increased or decreased by $0.3 million (2018: increased or decreased by $0.5 million). This is mainly attributable to the Company's exposure to interest rates on variable rate cash deposits.

Credit risk management

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

Refer to note B2 'Receivables and other assets' for details of the Company's policies relating to the impairment of receivables. The Company has assessed the debts past due and determined that a loss allowance for expected credit loss (ECL) is not necessary at the reporting date.

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

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

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

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

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

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

Liquidity risk management

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

The Company has a $45.0 million unsecured bank overdraft facility, which at 30 June 2019 was unused (2018: $45.0 million unused) to further reduce liquidity risk.

D3 Using derivatives to hedge risk

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

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

Derivative financial assets	2019 $'000	2018 $'000
Bunker fuel hedge	2,208	10,583
Foreign currency hedge	–	20
Total derivative financial assets	**2,208**	**10,603**

Derivative financial liabilities	2019 $'000	2018 $'000
Bunker fuel hedge	10	–
Foreign currency hedge	27,998	19,973
Total derivative financial liabilities	**28,008**	**19,973**

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

Cash flow hedging reserve	2019 $'000	2018 $'000
Balance at the beginning of the period	(6,558)	682
Effective portion of changes in fair value of cash flow hedge	(25,371)	(6,228)
Transfer of hedge reserve to statement of comprehensive income	8,950	(4,115)
Net impact on equity before tax	**(16,421)**	**(10,343)**
Deferred tax liability arising on market valuation	3,172	3,103
Net impact on equity after tax	**(13,249)**	**(7,240)**
Balance at the end of the period	**(19,807)**	**(6,558)**

Recognition and measurement

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

Derivatives are classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL).

Hedge accounting

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

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

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

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

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

Valuation

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

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

Derivative instruments are carried at fair value.

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

2019	Quoted prices in active markets for identical assets $'000	Significant observable inputs $'000	Unobservable inputs $'000	Total $'000
Financial assets at FVTPL				
Bunker fuel hedge	–	2,208	–	2,208
Foreign currency hedge	–	–	–	–
Total financials assets at FVTPL	**–**	**2,208**	**–**	**2,208**
Financial liabilities at FVTPL				
Bunker fuel hedge	–	10	–	10
Foreign currency hedge	–	27,988	–	27,988
Total financial liabilities at FVTPL	**–**	**27,998**	**–**	**27,998**

2018	Quoted prices in active markets for identical assets $'000	Significant observable inputs $'000	Unobservable inputs $'000	Total $'000
Financial assets at FVTPL				
Bunker fuel hedge	–	10,583	–	10,583
Foreign currency hedge	–	20	–	20
Total financial assets at FVTPL	**–**	**10,603**	**–**	**10,603**
Financial liabilities at FVTPL				
Bunker fuel hedge	–	–	–	–
Foreign currency hedge	–	19,973	–	19,973
Total financial liabilities at FVTPL	**–**	**19,973**	**–**	**19,973**

There were no transfers between levels during the reporting period.

Derivative financial instruments

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

Counterparty risk was considered when measuring the effectiveness of the hedging instruments at 30 June 2019. The Company's policies regarding credit and liquidity risk management have ensured that the effect of counterparty risk is immaterial.

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

2019 - Expected cash flows	Under 1 year $'000	1-5 years $'000	More than 5 years $'000	Total $'000
Bunker fuel hedge				
Assets	2,208	–	–	2,208
Liabilities	(10)	–	–	(10)
Forward exchange contract				
Assets	–	–	–	–
Liabilities	(1,274)	(26,715)	–	(27,989)

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

D4 Fair value measurement of non-derivative financial instruments

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

Financial assets	2019 $'000	2018 $'000
Cash and cash equivalents	187,861	197,901
Trade and other receivables	16,696	13,962

Financial liabilities	2019 $'000	2018 $'000
Trade and other payables	12,296	15,464

Recognition and measurement

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

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

Financial assets

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at other comprehensive income (OCI) and amortised cost. 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.

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.

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

Financial assets, other than those classified at FVTPL, are assessed for indicators of impairment at the end of each reporting period. The Company recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, the Company applies a simplified approach in calculating ECLs. The Company recognises a loss allowance based on a lifetime ECLs at each reporting date. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, an informed credit assessment and forward-looking information.

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

Financial liabilities and equity instruments

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

Financial liabilities are classified as subsequently measured at amortised cost or FVTPL

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

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

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

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

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

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

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

At the reporting date, the carrying amount of non-derivative financial instruments was equal to the fair value.

Non-derivative financial instruments

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

2019 - Interest rate maturity	Floating interest rate $'000	Under 1 year $'000	1-5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Non-derivative financial assets						
Cash and cash equivalents	35,920	151,818	–	–	123	187,861
Trade and other receivables	–	–	–	–	16,696	16,696
Total non-derivative financial assets	**35,920**	**151,818**	**–**	**–**	**16,819**	**204,557**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	12,296	12,296
Total non-derivative financial liabilities	**–**	**–**	**–**	**–**	**12,296**	**12,296**

2018 - Interest rate maturity	Floating interest rate $'000	Under 1 year $'000	1-5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Non-derivative financial assets						
Cash and cash equivalents	26,875	25,000	5,000	–	141,026	197,901
Trade and other receivables	–	–	–	–	13,962	13,962
Total non-derivative financial assets	**26,875**	**25,000**	**5,000**	**–**	**154,988**	**211,863**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	15,464	15,464
Total non-derivative financial liabilities	**–**	**–**	**–**	**–**	**15,464**	**15,464**

E – Additional information

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

E1 Leases

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

Non-cancellable operating lease payments	2019 $'000	2018 $'000
Under 1 year	3,395	3,301
Longer than 1 year but not longer than 5 years	3,738	6,887
Longer than 5 years	–	–
Total non-cancellable operating lease payments	**7,133**	**10,188**

Recognition and measurement

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

The Company as lessor

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

The Company as lessee

Finance leases

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

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

Operating leases

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

Contingent rentals

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

Lease incentives

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

E2 Auditor's remuneration

The auditor of the Company is the Tasmanian Audit Office. Fees charged for the audit of the current year's financial report were $74,890 (2018: $73,420).

E3 Contingent assets and liabilities

At 30 June 2019, TT-Line Company Pty Ltd was involved in two matters before the courts. The Company is actively defending these claims. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

E4 Related-party transactions

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

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

During the reporting period, the Company paid $90,000 (2018: $90,000) in sponsorship to the Tourism Industry Council Tasmania. Mr Dwyer, a Director of the Company, is also a Director of the Tourism Industry Council Tasmania, for which he received no remuneration.

E5 Community Service Obligation

On 8 June 2016, the Tasmanian Government agreed to formally recognise up to $890,000 (plus inflation) per contract year of the cost of the Company's 2017 to 2021 North Melbourne Football Club sponsorship as a Community Service Obligation (CSO).

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

During the year ended 30 June 2019, the Company incurred a cost of $932,320 (2018: $909,580) in relation to this CSO.

E6 Other accounting policies

Accounting for goods and services taxes

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

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

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

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

Current/non-current classification

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

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

New and amended Australian Accounting Standards

In the current year, the Company has adopted all new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to operations for the current reporting period. These include:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments and the relevant amending standards The standard affects financial assets and financial liabilities. AASB 9 replaces the 'incurred loss' model in AASB 139 *Financial Instruments: Recognition and Measurement* with an 'expected credit loss' model. The new impairment model applies to the financial assets measured at amortised cost. The amendments arising from this standard have been assessed and have not changed the reported financial position or performance of the Company. However, AASB 9 contains three principal classification categories for financial assets. This has resulted in cash and trade receivables being reclassified from and loans under AASB 139 to amortised cost under AASB 9. No change was made to the classification of financial liabilities.	1 January 2018	30 June 2019
AASB 15 Revenue from contracts with customers and AASB 2014–5 Amendments to Australian Accounting Standards arising from AASB 15 The AASB has issued a new standard for recognising revenue. This replaces *AASB 118 Revenue* which covers contracts for goods and services, and *AASB 111 Construction Contracts,* which covers construction costs. The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer – so the notion of control replaces the existing notion of risks and rewards. These changes to the revenue recognition requirements are consistent with the prior year's treatment of revenue and no change was required to accounting policies. The amendments arising from this standard have been assessed and have not changed the reported financial position or performance of the Company.	1 January 2018	30 June 2019

Standards and interpretations in issue but not yet adopted

On the date the financial statements were authorised, the following standards and interpretations that are likely to affect the Company were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 Leases and the relevant amending standards When adopted, AASB 16 is not expected to have a significant impact on the Company's financial statements. This assessment is based on current lease commitments and an expected adoption date of 30 June 2020. Monitoring of the impact of this standard will continue when considering new and extended leasing arrangements. The impact of the leasing standard has been quantified with consideration of the existing leases. The impact on profit or loss and the balance sheet would not be material as the lease commitments are reducing by $3.3 million per year and all commitments will be nearing expiry.	1 January 2019	30 June 2020

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

OTHER IMPORTANT INFORMATION (UNAUDITED)

Annual report disclosures in accordance with government guidelines.

Buy local

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

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

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

Purchases from Tasmanian businesses (including GST)	2019
Value of purchases from Tasmanian businesses ($'000)	42,038
Percentage of purchases from Tasmanian businesses	21%

Consultancy costs incurred during the year greater than $50,000 (excluding GST)

CONSULTANT	LOCATION	DESCRIPTION	ENGAGEMENT	2019 $'000
AECOM Australia Pty Ltd	Victoria	Port infrastructure review and vessel replacement	Ad hoc	113
BDA Marketing Planning	Victoria	Customer market research	Ad hoc	80
Bevington Consulting Pty Ltd	Victoria	Operations process review	Project based	126
Corporate Communications	Tasmania	Public relations advice	Monthly retainer	71
Figura	Sweden	Design for vessel replacement	Ad hoc	286
Foreship Ltd	Finland	Ship engineering design for vessel replacement	Ad hoc	104
Halliday's Business Insights Pty Ltd	Victoria	Employee training and support	Ad hoc	93
HFW Australia	Victoria	Legal services for contract negotiations and legal representation	Ad hoc	204
Hospitality Business Solutions	Victoria	Training and systems support	Ad hoc	59
James C Smith & Associates P/L	Victoria	Specialised food service advice	Ad hoc	66
KPMG	Tasmania	Internal audit/advice	Annual engagement	120
Page Seager	Tasmania	General legal advice	Ad hoc	125
Simon Kucher and Partners	New South Wales	Customer market research	Ad hoc	196
			Total	1,643
		19 other consultants were engaged, each for $50,000 or less, totalling		370
			Total cost of consultants	**2,013**

Payment of accounts

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

ACCOUNTS DUE OR PAID WITHIN THE YEAR	2019	2018
Creditor days	25	24

	Number of invoices	$'000
Invoices due for payment (including GST)	24,634	272,592
Invoices paid on time (including GST)	20,141	235,065
Payments for interest or fees on overdue invoices	–	–

SPIRIT OF TASMANIA