TT-Line Company Pty Ltd

ANNUAL REPORT

2020/21

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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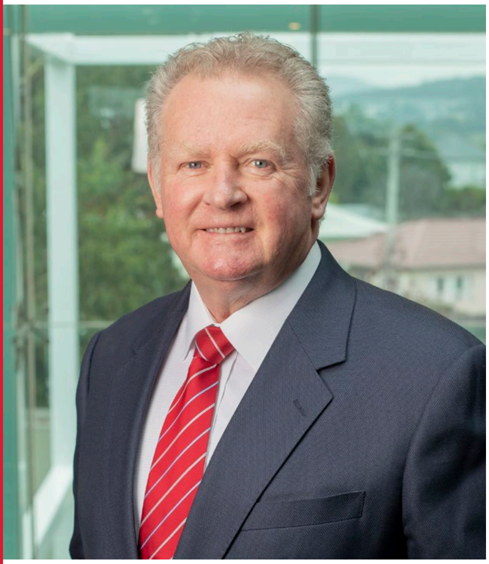

REPORT FROM THE CHAIRMAN

Like many Tasmanian businesses that work in the tourism sector, the Company was not immune to the impacts of COVID-19. The border closures and the travel restrictions put in place for much of the reporting period impacted our operations in a number of ways.

The number of sailings decreased in 2020/21 by five per cent to 806 (2019/20: 842) – a number of day sailings and Sunday sailings had to be cancelled due to lower passenger demand. As a result, passenger numbers declined to 234,725 (2019/20: 351,224).

More positively, after a record-breaking year for freight last financial year, freight transport rates for the reporting period were again the highest on record. While the Company's last out-first in sailing schedule continues to be an important consideration for our customers, they also took advantage of the higher than normal available lane metres that are usually reserved for passenger vehicles.

The current Spirit of Tasmania vessels were valued at 60 million Euros as at 30 June 2021. This reduction in value from previous financial years is explained by the ongoing impact of COVID-19 on the international resale ferry market. Importantly, despite their age, the vessels remain highly regarded in the market thanks to the rigorous maintenance regime implemented by the Company. The vessels also comply with the International Maritime Organisation's global cap on sulphur emissions.

In April TT-Line signed a contract with Finnish-based Rauma Marine Constructions (RMC) for the construction of two new roll on / roll off ships to replace the current Spirit of Tasmania vessels.

The approval to sign the contract was provided by the Tasmanian Government following consideration of the Vessel Replacement Taskforce report. The government agreed with TT-Line's original position that two steel monohull vessels are the right approach for the Bass Strait run.

Prior to delivering our first business case to the government in 2017, the Company carefully assessed vessel types and fleet configurations to determine the most appropriate vessel to operate daily crossings on Bass Strait. We looked at capacity, customer expectations, operating speed, seakeeping properties for Bass Strait, capital, operating costs and operational efficiency.

Construction will start in February 2022. Hull one is expected to be delivered in late 2023 while hull two is expected to arrive in Australia in late in 2024 – well within the expected replacement date of 2028.

Importantly, we have negotiated a significant increase in the spend on Tasmanian equipment and services for the vessel replacement project (up to $100 million).

GeelongPort progressed its work on the construction of our new passenger and freight terminal at Corio Quay during the year.

GeelongPort is investing $135 million to construct our new passenger and freight terminal and is working closely with a Spirit of Tasmania project team at every stage of the project.

Construction began in the 2021 calendar year with the facility to be operational by 2022. The new lease at Corio Quay is for 30 years.

The Company's commercial arrangement with the North Melbourne Football Club continued during the reporting period. All games under this arrangement were played at Blundstone Arena delivering important brand recognition for Spirit of Tasmania in key interstate markets through Channel 7 and Foxtel.

The company also continued its three-year sponsorship arrangement with the North Melbourne AFLW team.

In May 2021 the Company signed on as a Foundation Partner and first Principal Partner of the Tasmania

JackJumpers NBL side. The three-year partnership presents a unique and new promotional opportunity for TT-Line. We are very pleased to be involved at the inception stage of this exciting new team and will work closely with the JackJumpers to encourage NBL fans to travel to Tasmania.

Yvonne Rundle joined the Board in December 2020, and was appointed Chairperson of the Audit and Risk Committee and the Remuneration Committee in February 2021. Ms Rundle is a highly-experienced Non-Executive Director and I look forward to working with her on the TT-Line Board during her tenure.

Reflecting on the Board's role during the year, I would like to thank my fellow Directors for their significant contributions. And, on behalf of the Board, I would also like to thank Chief Executive Officer Bernard Dwyer for his work during what has been a challenging period for the Company. I would also like to note the important contribution made by the senior management team and thank every one of our employees for their work to achieve a continuous and COVID-19 free service.

Finally, I would like to recognise our Shareholder Ministers – Peter Gutwein in his capacity as Treasurer, and Minister for Infrastructure and Transport Michael Ferguson – for the ongoing support and assistance provided to the Board and the CEO.

Michael Grainger
Chairman

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

REPORT FROM THE CHIEF EXECUTIVE OFFICER

The performance of the Company during the 2020/21 financial year was clearly and significantly impacted by the COVID-19 pandemic for the second year running.

Total revenue for the year was $213.9 million (2019/20: $270.7 million).

The Company reported an after tax loss of $6.7 million (2019/20: after tax profit $32.4 million).

As the Chairman has referenced in his message in this report, passenger numbers were well down on last year due to Tasmanian border restrictions.

Conversely, our freight volumes reached record levels for the third time in as many years.

Television, press, radio and outdoor billboard advertising ceased from mid-March 2020 until the end of October 2020 due to COVID-19.

Advertising our service recommenced in November 2020, though advertising was switched on and off as required in line with state border restrictions.

While digital platforms were consistently used through the reporting period, they were closely monitored and switched off as needed in particular markets and on different platforms.

All creative was tailored to engage, inspire and convert audiences post lockdowns and border restrictions to travel with Spirit of Tasmania.

On 14 January 2021 the Federal Government temporarily increased the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES) to enable passengers to bring their car for free.

The campaign ultimately concluded on 30 June. A total of 47,060 passenger vehicles were booked to travel during the campaign which provided a much needed boost for the Tasmanian tourism industry after a challenging 12 months.

The incentive was regarded as particularly important given visitors who arrive in Tasmania by sea with their own vehicle stay longer, spend more and explore more regional areas than visitors who arrive in the state by air.

The 'Bring your car for free' initiative was supported by Tourism Australia's 'Holiday Here This Year' campaign. Spirit of Tasmania partnered with Tourism Tasmania and Tourism Australia to launch 'The best road trips start at sea' campaign. The focus was self-drive road trips around Tasmania. The campaign ran for six weeks in April and May 2021.

In what was a significant event for the Company, the State's tourism sector, our freight industry and the broader Tasmanian economy, TT-Line signed a contract with Finnish shipbuilder Rauma Marine Constructions (RMC) to deliver two new roll on/roll off ships to replace the current Spirit of Tasmania vessels in 2023 and 2024 respectively.

Both vessels will be able to transport 1,800 passengers and have an approximate gross tonnage of 48,000. The vessels will be 212-metres-long which fits into the dimensions required by TasPorts for the Mersey River. The new vessels will also be able to carry increased freight volumes compared to our current vessels.

In addition to being an important announcement for the State, it was a significant infrastructure announcement by Tasmanian, let alone Australian, standards, made more so by the fact that up to $100 million of local content will be included in the build. This was a substantial increase on the original Memorandum of Understanding signed between the Company and RMC.

To facilitate the procurement of Tasmanian materials and content, TT-Line has employed a Tasmanian-based Procurement Manager, who will be the representative of the RMC Shipyard in Finland in relation to both the procurement of local materials and content, timing, quality and logistics of the delivery of these materials.

Work continued at GeelongPort's Corio Quay in preparation for the construction of the Company's new passenger and freight terminal which will be operational in 2022. TT-Line announced last financial year that it would move its Victorian port operations from Station Pier at Port Melbourne to Geelong before the lease at Station Pier expires.

The new 12 hectare site at Geelong will include a passenger terminal, a passenger vehicle marshalling area for 600 cars and caravans, more efficient passenger vehicle check-in, security facilities, public amenities, food and beverage outlet, children's play area and a pet exercise area.

Though it occurred outside the reporting period, the detailed design phase for the new passenger terminal building was completed in August.

The terminal will include state-of-the-art facilities for passengers and staff, providing a space to relax before or after their voyage.

The building's design was inspired by Victorian and Tasmanian landscapes, most specifically the landscape of Cradle Mountain – Lake St Clair National Park.

TT-Line is looking forward to ultimately moving to Geelong, which is expected to deliver a boost for Tasmanian and Victorian businesses impacted by ongoing COVID-19 travel restrictions. The new port is expected to lead to increased passenger growth from markets in New South Wales, Queensland and South Australia, as well as increased passenger growth from regional Victoria.

Beyond the passenger terminal, the new facility will feature a dedicated freight terminal, streamlined and segregated passenger and freight entry and exit points, 150 truck parking bays and a 24/7 secure freight yard that will enable cargo pick up and drop off at any time, day or night.

Workplace and ship safety are critical issues for the Company. That clear position remained unchanged during this reporting period.

Under General Manager Marine Operations, Richard Hall, the Company continued to adopt new initiatives to manage areas of heightened risk.

The Company engaged Det Norske Veritas, an international accredited registrar and classification society, to independently review our Safety Management System. This work is ongoing and is already resulting in a further strengthening of our safety statistics.

The ongoing management of our vessels was a challenge for the business, our contractors and service technicians because of restricted vessel access.

The dry docking of Spirit of Tasmania II was deferred until the end of August 2021. During dry dock, Spirit of Tasmania II received a thorough inspection of all underwater areas, routine maintenance was performed to her propulsion and manoeuvring systems and the vessel's internal areas, carpets and cabins were refreshed. About 1500 litres of paint was used during dry dock to paint internal and external areas.

All of our employees individually and collectively made an enormous contribution to ensuring TT-Line was able to offer a continuous and COVID-19 safe service.

Seagoing employees were restricted to vessels for up to a month without shore leave. These same employees were under additional pressure to ensure passengers complied with our COVID-19 Safety Management Plan, which required passengers and crew to wear face masks in public areas while on board and everyone to social distance.

The Company installed hand sanitising stations on every passenger deck and clear protective screens at counters. We also reduced capacity in certain areas to comply with regulations. And for the safety and convenience of passengers, we introduced take-away dining options and online ordering at the bars on board so passengers could select and pay for their meals using their own mobile device. Passengers were also required to remain seated while eating and drinking to limit movement around the vessel.

In summary, our staff and crew did an outstanding job.

To support our staff and crew, the Company provided regular workshops with a Clinical Psychologist specifically designed to provide mental health information and support to employees impacted by the lockdowns.

In closing, I would also like to thank the Chairman and all Directors for their oversight and support of the Company during the reporting period, the Leadership Team for its ongoing hard work and all TT-Line employees for their efforts during what continues to be an unprecedented period for our business.

Bernard Dwyer
Chief Executive Officer

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
- 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
- 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
YEAR BUILT 1998 **SHIP TYPE** RO/RO PASSENGER V/L **CLASS** AMERICAN BUREAU OF SHIPPING
FIRST TT-LINE COMMERCIAL SAILING 1 SEPT 2002

OVERALL LENGTH 194.33M

GROSS TONNAGE 29,338

DEAD WEIGHT 5,651T

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

CAPACITY

121

1400

500

222

- 59 TWIN BED PORTHOLE CABINS
- 72 FOUR BED PORTHOLE CABINS
- 81 TWIN BED/FOUR BED INSIDE CABINS
- 2 WHEELCHAIR ACCESSIBLE CABINS
- 8 DELUXE CABINS
- 222 TOTAL CABINS
- 121 RECLINERS
- LICENSED TO CARRY 1400 PASSENGERS AND 500 STANDARD VEHICLES

SPEED, TIME & DISTANCE

AVERAGE SPEED IN KNOTS 27
EQUALS 50 KM/HR

CROSSING TIME (HRS)
9-11

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 2020-21	ACTUAL 2020-21	ACTUAL 2019-20
FINANCIAL TARGETS			
Return on Assets	4%	5%	5%
Return on Equity	3%	-2%	9%
Dividends (% NPAT)	90%	NA	70%
NON FINANCIAL TARGETS			
Voyages	855	806	846
Lost time injuries	-	5	16
Safety Marine KPI's (#)	-	3	1
Customer Satisfaction (#/100)	93	94	94

EXPLANATION OF NUMBERS STATEMENT[1]

	2021 $'000	2020 $'000
Revenue from operations[2]		
Spirit of Tasmania	212,008	233,097
Other revenue	1,527	1,317
	213,535	**234,414**
Expenses from operations[2]		
Spirit of Tasmania	(182,883)	(200,241)
Other expenses	(1,159)	(1,219)
	(184,042)	**(201,460)**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**29,493**	**32,954**
Depreciation and amortisation		
Spirit of Tasmania	(7,898)	(11,087)
Other	(92)	(92)
	(7,990)	**(11,179)**
Earnings before interest and tax (EBIT)	**21,503**	**21,775**
Interest expense	(357)	(464)
Interest income and foreign currency gains	473	36,411
Underlying profit	**21,619**	**57,722**
Represented as follows;		
Spirit of Tasmania	21,343	57,716
Other	276	6
Underlying profit	**21,619**	**57,722**
Reconciliation to audited profit for the period		
Underlying profit	21,619	57,722
Accounting adjustments		
Revaluation of asset adjustment	(31,234)	(5,946)
Taxation (expense)/benefit	2,881	(19,306)
Profit for the period – audited	**(6,734)**	**32,470**

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

REMUNERATION REPORT

REMUNERATION POLICY

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 June 2021.

The objective of this policy is to provide clear guidelines regarding all aspects of remuneration.

The strategy of the remuneration policy is to:

a) Ensure Employees are paid in accordance with relevant contracts of employment and collective agreements;
b) Maintain market salary rates for all positions sufficient to attract, retain and motivate Senior Executives of the quality required, not in excess of what is necessary for the purpose; and
c) Ensure remuneration arrangements are transparent, fair and defensible in the Tasmanian Government Business context.

The Board 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. It is responsible for recommending movements in the senior executive team salary levels to the Board.

REMUNERATION REVIEW

Each year the Company conducts an Annual Remuneration Review to salaried and executive employees. This purpose of this review is to remunerate Employees in a way that will:

a) Retain and motivate high-quality Employees;
b) Reward exceptional performance;
c) Be relative to external employment markets; and
d) Be relative to Company performance.

INCENTIVE PAYMENTS

The Company has in place a performance incentive payments scheme. Govenment guidelines state a payment to eligible employees may be appropriate where:

a) The business operates in a competitive, or potentially competitive, market;
b) Performance is beyond normal expectations;
c) The business is operating in a non-regulated environment; and/or
d) The business or sector is undergoing significant structural change.

It is up to the Board to ultimately determine whether the Company will operate a performance incentive payment scheme.

The Board sets performance targets with goals and indicators aligned to the creation of value.
The Performance Incentive Program is designed to:

a) Make a component of eligible Employee remuneration subject to performance; and
b) Incentivise, reward and retain high performing Employees.

There were no incentives paid during the current year due to the Company's cost saving initiatives in response to COVID-19.

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

STATEMENT OF COMPLIANCE

The Company has complied with the Guidelines for Tasmanian Government Business – Director and Executive Remuneration for the year ended 30 June 2021.

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.

TT-Line has signed contracts with Rauma Marine Construction for the build of two new vessels. Contract payments in relation to the build have been excluded from the below summary.

Purchases from Tasmanian businesses (including GST)	**2021**
Value of purchases from Tasmanian businesses ($'000)	40,246
Percentage of purchases from Tasmanian businesses	24%

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

Consultant	**Location**	**Description**	**Engagement**	**2021 $'000**
Corporate Communications	Tasmania	Public relations advice	Monthly Retainer	52
Edge Legal	Tasmania	Integrated workplace specialists	Adhoc	84
Halliday's Business Insights Pty Ltd	Victoria	Employee training and support	Adhoc	65
HFW Australia	Victoria	Legal representation and services for various contract negotiations.	Adhoc	544
James C Smith & Associates P/L	Victoria	Specialised food service advice including COVID-19 risk management	Adhoc	194
KPMG	Tasmania	Internal audit/specialised technical advice	Annual engagement	108
Page Seager	Tasmania	General legal advice	Adhoc	120
P & M Consultants Pty Ltd	Victoria	Port infrastructure engineering consulting	Adhoc	88
PricewaterhouseCoopers	New South Wales	Vessel replacement and port infrastructure due diligence and advice	Adhoc	50
			Total	**1,305**
		21 other consultants were engaged, each for $50,000 or less, totalling		248
			Total cost of consultants	**1,553**

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	2021	2020
Creditor days	17	14

	Number of invoices	$'000
Invoices due for payment (including GST)	17,802	362,123
Invoices paid on time (including GST)	15,617	346,437
Payments for interest or fees on overdue invoices	–	–

TT-LINE COMPANY PTY LTD

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

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CORPORATE GOVERNANCE

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

Following are the Company's practices in relation to these eight principles.

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 Committee
- reviewing and monitoring compliance with all regulatory requirements and standards, including environmental, 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 – responsible for ensuring the Company complies 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 recruitment requirements of the Board
- Vessel Replacement and Procurement – responsible for the replacement and procurement of the Company's vessels.

The Board has delegated the relevant authority to manage the Company's day-to-day operations to the CEO, subject to specific delegations and limits 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 and external advisers. The division of roles and responsibilities is illustrated in the diagram below.

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

Corporate Governance Framework

TT-Line Board

Committees	**Audit 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	Y Rundle (Chair) C Filson H Galloway M Grainger	Y Rundle (Chair) M Grainger	M Grainger (Chair) Capt. R Burgess B Dwyer Y Rundle C Filson H Galloway D Bugg	M Grainger (Chair) D Bugg 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 that 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 appointments based on merit and qualifications, free from discrimination or favouritism.

The Company also has an ethics policy that promotes equity and diversity. At the reporting date, approximately 46 per cent of the Company's employees were female and 54 per cent were male.

4. Safeguard integrity in corporate reporting

The Board has established an Audit Committee with a formal Charter that is reviewed by the Board. This committee comprises four members, all of whom are independent non-executive Directors. It 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 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. However, as a State-owned business, the Company ensures that Members are kept informed of all matters that may have a material impact (financial or otherwise) on the business or potential adverse implications for the State. The Company has a process for ensuring that Members are promptly advised of matters as required by its Constitution and the Members' Statement of Expectations.

6. Respect the rights of share 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 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 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 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 (Australian compliance standard).

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

- **Widespread pandemic** – To mitigate this risk, the Company has implemented a flexible freight strategy to offset reduced passenger volumes; strict cleaning and infection control procedures to mitigate further virus spread; amendments to sailing schedules to align to demand; and strict cost controls to offset reduced revenues.
- **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 flexible freight strategy, 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 and has a vision to actively contribute to the long-term economic prosperity of Tasmania. To aid social sustainability, the Company supports a number of Tasmanian community activities through its Sponsorship Program. It sponsors the Tourism Industry Council Tasmania, the Tasmania JackJumpers National Basketball League Club 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 Committee, and the Board. The internal audit function is accountable to, and reports directly to, the Audit Committee.

The Audit 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:

- 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 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. It 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's guidelines for executive and board remuneration, dated June 2021.

Directors' fees are set by the Tasmanian Government.

The Remuneration Committee formally reviews the CEO's remuneration annually, and submits recommendations 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 2021. 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 an independent non-executive Director. He is Chairman of the Vessel Replacement and Procurement Committee, Director of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee. Mr Grainger is the Managing Director of Liferaft Systems Australia Pty Ltd, and a member of the Det Norske Veritas International Ferry Committee. *(Appointed May 2005 reappointed November 2019 and current term expires November 2022.)*
Mr Damian Bugg	Mr Bugg joined the Board in July 2019 as an independent 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. *(Appointed July 2019 and current term expires July 2022.)*
Captain Richard Burgess	Captain Burgess is a member of the Board, having joined as an independent non-executive Director in November 2016. He is also a member of the Vessel Replacement and Procurement Committee. *(Appointed November 2016 reappointed November 2019 and current term expires November 2022.)*
Ms Suzanne Ewart	Ms Ewart joined the Board in June 2014 as a non-executive Director and was appointed Chairperson of the Audit Committee in August 2014 and of the Remuneration Committee in 2017. Ms Ewart was 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 former 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, technology, biomedical, ecommerce and education sectors. *(Appointed June 2014 reappointed June 2017 and current term expired November 2020.)*
Ms Claire Filson	Ms Filson joined the Board in November 2015 as an independent non-executive Director and is a member of the Audit Committee. Ms Filson is Deputy Chair of the Port of Hastings Development Authority and the Portable Long Service Benefits Authority. She is also a Director of Greater Western Water Corporation and Murray Irrigation Limited, and is an independent member of the audit and risk committee of the City of Kingston and the Victorian Department of Premier and Cabinet. *(Appointed November 2015 reappointed November 2018 and current term expires November 2021.)*
Ms Helen Galloway	Ms Galloway joined the Board in November 2016 as an independent non-executive Director and is a member of the Audit Committee. Ms Galloway is Deputy Chairperson of Tasracing and is a non-executive Director of Bank of us. She is the Chairperson of her local council's audit panel. In these roles, she serves on various committees in different capacities including Chairperson of Audit and Risk, Chairperson of Human Resources & Remuneration, and member of Audit and of Risk. *(Appointed November 2016 reappointed November 2019 and current term expires November 2022.)*
Ms Yvonne Rundle	Ms Rundle joined the Board in December 2020 as an independent non-executive Director and was appointed Chairperson of the Audit Committee and the Remuneration Committee in February 2021. Ms Rundle is also a member of the Director Nomination Committee. In addition to her roles with TT-Line, Ms Rundle is a non-executive Director and Chair of the Audit and Risk Committees of Aurora Energy Pty Ltd, Metro Tasmania Pty Ltd and TasTAFE. Ms Rundle is also a member of the Remuneration Committee of Aurora Energy Pty Ltd and the University of Tasmania's Foundation Committee, a non-executive Director of Metro Coaches (Tas) Pty Ltd, Action Against Homelessness Limited, Fairbrother Foundation Pty Ltd, University of Tasmania Foundation Inc. and a small number of other private companies. *(Appointed December 2020 and current term expires December 2023.)*
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. Before his appointment as CEO, Mr Dwyer was a member of the Audit Committee and the Remuneration Committee. He is a Director of the Tourism Industry Council Tasmania, and a member of the Interferry Board and a member of the Tasmanian State Government's Access Working Group. *(Appointed December 2010 reappointed January 2015 and current term expires November 2024.)*

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'. The Company has complied with the Guidelines for Tasmanian Government Business – Director and Executive Remuneration for the year ended 30 June 2021

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 $213.9 million (2020: $270.7 million) and a loss after tax for the year ended 30 June 2021 of $6.7 million (2020: profit after tax $32.4 million). The Company has been significantly impacted by COVID-19 and government-imposed travel restrictions and border closures in response to the pandemic, which were in place for much of the financial year.

In the 2020/21 financial year, the Company continued its progress against its updated strategic plan. The plan includes objectives to:

- operate safely and reliably
- continue planning for new tonnage to replace current vessels, to be operational by the mid to late 2020s
- continue planning for shoreside infrastructure to align with current and new vessels when introduced into service
- 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 decreased by 5 per cent over the prior year to 806 (2020: 842).

In response to the continued implementation of Tasmanian border restrictions due to the COVID-19 pandemic, a number of day sailings and Sunday sailings were cancelled due to low passenger demand.

During the financial year, only 234,725 passengers (2020: 351,224) travelled with the Company. When operations return to pre-COVID-19 volumes, the Company's ability to continue increasing the number of day sailings in peak periods without compromising schedule reliability will be limited.

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. This was in part due to the additional lane metres available as a result of low passenger numbers.

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

The vessels were valued at €60.0 million each at 30 June 2021. This value is a reduction from previous years, which reflects the impact of COVID-19 on the current ferry resale market and the age of the vessels.

The vessels are highly regarded on the international ship market due to the rigorous maintenance schedule undertaken by the Company and the fact that they fully comply with the International Maritime Organisation (IMO) global cap on sulphur emissions.

Whilst recognising the above, the vessels 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. Contracts were signed in 2018 for the new ship builds, but were mutually cancelled in early 2020. In June 2020, the Board unanimously approved an updated business case to enter agreements with a Finnish shipyard to continue these contracts. The Government paused the project in July 2020, referencing the economic impact of COVID-19. Subsequently it announced the formation of a taskforce including representatives from TT- Line, to investigate all opportunities to increase Tasmanian and Australian content in our New Ship Build Project.

In April 2021 contracts were signed with Finnish shipbuilder Rauma Marine Constructions (RMC) for two new ship builds, to be delivered in late 2023 and late 2024, respectively. These contracts contain provisions to include up to $100.0 million of local content in the new builds.

Subsequent events

The Directors note that the ongoing uncertainty around travel restrictions in response to COVID-19 will continue to adversely impact the operations of the Company. As it is not known when restrictions will be lifted, the Company continues to implement a number of measures to mitigate these impacts.

Future developments

Disclosure of information regarding probable 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 $16.2 million was declared and paid during the 2020/21 financial year (2020: $30.9 million).

Indemnity and insurance for officers and auditors

The Company has insured its directors, company secretary and executive officers of the company against liabilities as permitted by the Corporations Act 2001.

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 is approved under the Company's travel policy, ensuring the travel is consistent with achieving the Company's strategic objectives.

Due to international travel restrictions as a result of the COVID-19 pandemic, there was no international travel undertaken in this period.

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 Committee meetings, two Remuneration Committee meetings, two Director Nomination Committee meetings and one Vessel Replacement and Procurement Committee meeting.

	Board		Audit Committee		Remuneration Committee		Vessel Replacement and Procurement Committee		Director Nomination Committee	
Director	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held [1]
Mr M Grainger	11	11	4	4	2	2	1	1	2	2
Mr D Bugg	11	11	–	–	–	–	1	1	2	2
Capt. R Burgess	11	11	–	–	–	–	1	1	2	2
Ms S Ewart	5	5	2	2	1	1	–	–	–	–
Ms C Filson	11	11	4	4	–	–	–	–	2	2
Ms H Galloway	11	11	4	4	–	–	–	–	2	2
Ms Y Rundle	5	6	2	2	1	1	–	–	2	2
Mr B Dwyer[2]	11	11	–	–	–	–	–	–	2	2

1. The number of meetings held during the time the Director was a member of the Board or relevant committee.
2. Mr Dwyer also attended committee meetings in his capacity as CEO.

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

Y Rundle

Directors

Hobart, 10 August 2021

Tasmanian
Audit Office

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

10 August 2021

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 2021, 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

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 (the Company), which comprises the statement of financial position as at 30 June 2021 and statements of profits and 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 2021 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 (including Independence Standards)* (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 10 August 2021 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 $189.65m, based on independent market valuations performed by independent valuation experts. The fair value 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 $1.29m, 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.	• Evaluating the valuation methodology used and work performed by management's independent valuation experts. • Assessing the competence and independence of management's independent valuation experts. • Examining the treatment of capital and maintenance expenditures and considering their impact on the vessels' valuation. • Evaluating the depreciation calculation, including judgements and assumptions used. • Testing the calculation of vessel depreciation. • Assessing the adequacy of relevant disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Annual Financial Report for the year ended 30 June 2021, 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, actions taken to eliminate threats or safeguards applied.

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

12 August 2021
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 16 to 61 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 2021 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 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.

3. The Directors draw attention to page 21 of the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

On behalf of the Directors

M Grainger

Y Rundle

Directors

Hobart, 10 August 2021

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 $'000	2020 $'000
REVENUE			
Operating revenue	A1	212,181	232,010
Investment revenue and foreign currency gains	A1	473	36,411
Other revenue	A1	1,212	2,289
Other gains	A1	39	(24)
Total revenue		**213,905**	**270,686**
Employee benefit expenses	A2	(77,988)	(76,631)
Other expenses	A2	(113,941)	(135,869)
Finance costs	A2	(357)	(464)
Asset revaluation	B3	(31,234)	(5,946)
(LOSS)/PROFIT BEFORE TAX		**(9,614)**	**51,776**
Tax-equivalent benefit/(expense)	A3	2,881	(19,306)
(LOSS)/PROFIT FOR THE YEAR		**(6,733)**	**32,470**

This statement should be read in conjunction with the accompanying notes

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 $'000	2020 $'000
(LOSS)/PROFIT FOR THE YEAR		**(6,733)**	**32,470**
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	833	(189)
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	(250)	57
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging reserve gains/(losses)	D3	15,729	21,652
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	(4,719)	(4,741)
Total other comprehensive income/(expense) for the year, net of tax		**11,593**	**16,779**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**4,860**	**49,249**

This statement should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Note	2021 $'000	2020 $'000
CURRENT ASSETS			
Cash and cash equivalents	B1	80,471	192,324
Investments	B1	30,000	–
Trade and other receivables	B2	19,249	15,945
Inventories	B7	3,550	2,608
Income tax receivable		2,198	–
Other	B2	5,906	2,823
TOTAL CURRENT ASSETS		**141,374**	**213,700**
NON-CURRENT ASSETS			
Property, plant and equipment	B3	330,307	237,137
Intangibles	B4	627	1,191
Other	B2	6,582	–
TOTAL NON-CURRENT ASSETS		**337,516**	**238,328**
TOTAL ASSETS		**478,890**	**452,028**
CURRENT LIABILITIES			
Trade and other payables	B6	8,945	11,142
Lease liability		787	3,484
Income tax payable		–	13,751
Provisions	C1	16,586	14,640
Other	B6	25,394	13,577
TOTAL CURRENT LIABILITIES		**51,712**	**56,594**
NON-CURRENT LIABILITIES			
Deferred tax liability (net of deferred tax asset)	A3	10,805	12,842
Lease liability		340	1,055
Provisions	C1	8,787	10,118
Other	B6	–	130
TOTAL NON-CURRENT LIABILITIES		**19,932**	**24,145**
TOTAL LIABILITIES		**71,644**	**80,739**
NET ASSETS		**407,246**	**371,289**
EQUITY			
Share capital	D1	328,981	328,981
Contributed equity	D1	128,332	81,000
Cash flow hedging reserve	D3	8,114	(2,896)
Accumulated losses		(58,180)	(35,796)
TOTAL EQUITY		**407,246**	**371,289**

This statement should be read in conjunction with the accompanying notes

SPIRIT OF TASMANIA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Note	Share capital Contributed equity $'000	Issued capital $'000	Cash flow hedging reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2019		**81,000**	**328,981**	**(19,807)**	**(37,233)**	**352,941**
Profit for the year		–	–	–	32,470	**32,470**
Other comprehensive income/(expense) for the year	D3	–	–	16,911	(132)	**16,779**
Total comprehensive income/(expense) for the year		–	–	**16,911**	**32,338**	**49,249**
Payment of dividends		–	–	–	(30,901)	**(30,901)**
Balance at 30 June 2020		**81,000**	**328,981**	**(2,896)**	**(35,796)**	**371,289**
Profit for the year		–	–	–	(6,733)	**(6,733)**
Other comprehensive income/(expense) for the year	D3	–	–	11,010	583	**11,593**
Total comprehensive income/(expense) for the year		–	–	**11,010**	**(6,150)**	**4,860**
Payment of dividends		–	–	–	(16,235)	**(16,235)**
Net equity contribution received/(returned)	D1	47,332	–	–	–	**47,332**
Balance at 30 June 2021		**128,332**	**328,981**	**8,114**	**(58,181)**	**407,246**

This statement should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		273,780	268,792
Interest and foreign currency gains received		512	36,509
Cash payments in the course of operations		(231,961)	(246,446)
Interest paid		(4)	(167)
Income tax paid		(20,073)	(5,785)
Net cash provided by operating activities	A4	**22,254**	**52,903**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		170	199
Payments for property, plant and equipment and major cyclical maintenance		(131,852)	(14,463)
Dividend paid		(16,235)	(30,901)
Net cash (used) by investing activities		**(147,917)**	**(45,165)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net equity contribution received/(returned)		47,331	–
Investments		(30,000)	–
Repayment of lease liabilities		(3,522)	(3,274)
Net cash provided by financing activities		**13,809**	**(3,274)**
Net increase in cash held		(111,854)	4,464
Cash and cash equivalents at the beginning of the financial year		192,325	187,861
Cash and cash equivalents at the end of the financial year		**80,471**	**192,325**

This statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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, 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. It 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 Board (AASB) standards and Interpretations, and comply with other requirements of the law.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

The Directors authorised the financial statements for issue on 10 August 2021

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 deemed. 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	Determination of asset residual values and remaining useful lives
B3	Fair value measurement
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

The World Health Organization declared the spread of COVID-19 a public health emergency on 31 January 2020 and upgraded it to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by governments, which have had significant impacts on the Company's operations. Border closures and travel restrictions led to the Edgewater Hotel being closed to commercial occupancy from April 2020 until January 2021. It also caused a significant drop in passenger numbers on the vessels and resulted in a 21 per cent decrease in passenger and related operating revenue in the 2020/21 financial year, compared to the same period in 2019/20. This was partially offset by a 7 per cent increase in Freight revenue.

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 or unusual nature arose that are likely, in the opinion of the Directors, to significantly affect in the future financial years:

- the operations of the Company
- the results of those operations, or
- the state of affairs of the Company.

A – Financial performance

This section provides further information in respect to the financial performance of the Company for the year ended 30 June 2021. 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. A 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	2021 $'000	2020 $'000
Revenue from the provision of passenger services	98,584	122,152
Revenue from the provision of freight services	106,736	99,804
Revenue from the sale of goods on-board (including food and beverages)	5,205	8,416
Revenue from the provision of hotel services (including accommodation, food and beverages)	1,344	1,025
Revenue from rental agreements and gaming	312	613
Operating revenue	**212,181**	**232,010**
Investment revenue and foreign currency gains[1]	**473**	**36,411**
Other revenue[2]	**1,212**	**2,289**
Other gains/(losses)[3]	**39**	**(24)**
Total operating revenue	**213,905**	**270,686**

1. Interest income and gains on foreign currency instruments

2. Insurance recoveries.

3. Gain/(loss) 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 (78 per cent of bookings were paid at the time of booking compared to 82 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.

In March 2020, travel restrictions were imposed in response to the COVID-19 pandemic. These restrictions continued throughout 2020/21 and resulted in a significant decline in revenue from the provision of passenger services compared to previous years. Passenger numbers decreased by 33 per cent compared to the same period in the prior year, while freight volumes increased by 10 per cent.

Revenue from the sale of goods on-board

Revenue from on-board trading activities is recognised on a point-of-sale basis. Goods for sale include food and beverages and miscellaneous items such as Tasmanian souvenirs. Most sales take place during sailing, with few items available for pre-purchase.

Due to travel restrictions, there was a significant decline in revenue from the sale of goods on board throughout 2020/21. On-board food and beverage services were adversely impacted by the decline in passenger numbers, and retail outlets were closed periodically during the year.

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 transaction at the point of sale. 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 cancellation policy for hotel accommodation, customers must give 24 hours' notice in advance, or they are charged the full price.

The Edgewater Hotel operated as a government-funded quarantine facility until December 2020. All commercial hotel services were suspended during this time.

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.

Rental from gaming was suspended from April 2020 until January 2021 at the Edgewater Hotel in response to the trading restrictions imposed by the government in response to the COVID-19 pandemic.

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 expenses.

	2021	2020
Employee benefit expenses	**$'000**	**$'000**
Defined contribution plans	5,603	5,516
Defined benefit plans	204	206
Termination benefits[1]	485	1,213
Other employee benefits	71,696	69,696
Total employee benefit expenses	**77,988**	**76,631**

	2021	2020
Other expenses	**$'000**	**$'000**
Depreciation	5,554	9,637
Amortisation[2]	2,436	1,542
Terminal operations	31,347	31,411
Administration[3]	12,613	13,269
Security	3,544	3,765
Food and beverages	1,886	2,921
Consumables	4,839	5,006
Repairs and maintenance	8,633	11,319
Marine fuel and oil	35,206	44,394
Customer acquisition	7,883	12,605
Total other expenses	**113,941**	**135,869**

		2021	2020
Finance costs	**Note**	**$'000**	**$'000**
Interest cost – defined benefit superannuation plan	C3	290	296
Interest cost – leases		64	168
Interest cost – ATO general interest charge		3	–
Total finance costs		**357**	**464**

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 Taxation Equivalent Regime, which is broadly based on the provisions of the Commonwealth laws on income tax assessment.

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

	2021	2020
Tax-equivalent expense	**$'000**	**$'000**
Origination and reversal of temporary differences:		
Decrease/(increase) in deferred tax liability	1,677	(5,115)
Increase/(decrease) in deferred tax asset	360	6,442
Increase in provision for income tax (receivable)/payable	(4,918)	14,215
Increase in prior year income tax expense (30 June 2019)	–	3,764
Total tax-equivalent (benefit)/expense	**(2,881)**	**19,306**

The total tax-equivalent expense for the period can be reconciled to the accounting profit is shown below.

	2021	2020
Current-period tax expense reconciliation	**$'000**	**$'000**
(Loss)/profit before tax-equivalent expense	(9,614)	51,776
***Prima facie* tax-equivalent (benefit)/expense[1]**	**(2,884)**	**15,533**
Non-deductible entertainment	3	9
Prior period adjustment reflecting re-recognition of DTA / DTL and assessable income from shipping activities[2]	–	3,764
Tax-equivalent expense recognised in the current period[3]	**(2,881)**	**19,306**

1. The tax rate used for the 2021 reconciliation is the corporate tax rate of 30 per cent (2020 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 is as follows.

	2021	2020
Tax recognised in other comprehensive income	**$'000**	**$'000**
Tax-equivalent impact of actuarial (losses)/gains	250	(57)
Tax-equivalent impact of revaluation in cash flow hedging reserve	4,719	4,741
Net tax-equivalent (benefit)/expense attributable to transactions recognised in other comprehensive income	**4,969**	**4,684**

Recognition and measurement

Current tax

The tax currently payable/receivable is based on taxable profit/loss for the period ended 30 June 2021. Taxable profit/loss differs from profit/loss as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other periods, as well as items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

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

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

The deferred tax balances associated with the Company's shipping operations have been re-recognised due to the issuance of the Treasurer's Instruction.

Tax benefits not recognised

Tax benefits not recognised as deferred tax assets were capital losses of $116,000 (2020: $116,000).

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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.

2021		Balance at 1 July 2020 $'000	Recognised in profit or loss (prior periods) $'000	Recognised in profit or loss (movement) $'000	Recognised in equity $'000	Balance at 30 June 2021 $'000
Deferred tax assets	Employee provisions	7,195	–	(50)	–	7,145
	Right-of-use	36	–	(39)	–	(3)
	Other accruals	112	–	(1)	–	111
	Other provisions	–	–	467	–	467
	Vessel replacement expenditure	312	–	(17)	–	295
	Total deferred tax assets	**7,655**	**–**	**360**	**–**	**8,015**
Deferred tax liabilities	Consumables	(326)	–	(213)	–	(539)
	Property, plant and equipment	(20,824)	–	6,637	–	(14,187)
	Derivative liability – hedging	1,241	–	–	(4,719)	(3,478)
	Prepayments	–	–	(48)	–	(48)
	Provisions	(588)	–	20	–	(568)
	Total deferred tax liabilities	**(20,497)**	–	**6,396**	**(4,719)**	**(18,820)**
Net deferred tax liabilities		**(12,842)**	**–**	**6,756**	**(4,719)**	**(10,805)**

2020		Balance at 1 July 2019 $'000	Recognised in profit or loss (prior periods) $'000	Recognised in profit or loss (movement) $'000	Recognised in equity $'000	Balance at 30 June 2020 $'000
Deferred tax assets	Employee provisions	47	7,014	134	–	7,195
	Right-of-use	–	–	36	–	36
	Other accruals	–	102	10	–	112
	Derivative asset – hedging	–	7,737	–	(6,496)	1,241
	Tax losses	2,407	(2,407)	–	–	–
	Vessel replacement expenditure	–	216	96	–	312
	Total deferred tax assets	**2,454**	**12,662**	**276**	**(6,496)**	**8,896**
Deferred tax liabilities	Consumables	–	(518)	192	–	(326)
	Property, plant and equipment	(16,623)	(1,915)	(2,286)	–	(20,824)
	Provisions	–	(628)	40	–	(588)
	Total deferred tax liabilities	**(16,623)**	**(3,061)**	**(2,054)**	–	**(21,738)**
Net deferred tax liabilities		**(14,169)**	**9,601**	**(1,778)**	**(6,496)**	**(12,842)**

A4 Cash flows

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

	2021	2020
Cash provided by operating activities	**$'000**	**$'000**
Profit for the year	**(6,733)**	**32,470**
Income tax expense/(benefit)	(2,881)	19,306
Gain/(loss) on the sale of assets	(39)	24
Asset fair value decrement	31,234	5,946
Depreciation	2,161	6,244
Depreciation of right-of-use asset	3,393	3,393
Amortisation	2,436	1,542
Income tax paid/(received)	(20,073)	(5,785)
Movements in working capital		
(Increase)/decrease in trade and other receivables	(3,304)	751
(Increase)/decrease in inventories	(942)	445
(Increase)/decrease in prepaid expenses and other	1,051	314
Increase/(decrease) in trade and other payables	(2,197)	(1,154)
Increase/(decrease) in revenue received in advance	16,700	(11,155)
Increase/(decrease) in provisions[1]	1,448	562
Net cash provided by operating activities	**22,254**	**52,903**

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 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, cash equivalents and investments

The composition of cash and cash equivalents at the reporting date were as follows.

	2021	2020
Cash and cash equivalents	**$'000**	**$'000**
Cash on hand	40	56
Cash at bank	80,431	192,268
Total cash and cash equivalents	**80,471**	**192,324**

The prior year cash at bank includes $81.0 million of restricted funds. These funds had been received from the legislated vessel replacement fund but were returned during the current reporting period.

During the reporting period contracts to build vessels were signed with Rauma Marine Constructions. Deposits were paid in May 2021 and were fully funded by the legislated vessel replacement fund.

Total unrestricted cash and cash equivalents at the reporting date is $80.5 million (2020: $111.3 million).

The composition of investments at the reporting date were as follows.

	2021	2020
Investments	**$'000**	**$'000**
Term deposits (maturity < 12months)	30,000	–
Total investments	**30,000**	**–**

B2 Receivables and other assets

The following table shows the composition of trade and other receivables at the reporting date.

	2021	2020
Trade and other receivables	**$'000**	**$'000**
Trade receivables	15,837	13,896
Allowance for impairment	–	–
Total trade receivables	**15,837**	**13,896**
Other receivables	3,412	2,049
Total trade and other receivables	**19,249**	**15,945**

The Company recognises impairment allowances for expected credit losses (ECLs) on financial assets measured at cost. When determining whether the credit risk has increased significantly since initial recognition, and when estimating the ECLs, 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 tourism industry has been adversely affected by the COVID-19 pandemic and the associated travel restrictions imposed and ongoing since March 2020. The impact of this on an individual customers' ability to meet payment commitments on time has also been considered in the current-year review of ECLs.

Each customer has been reviewed on an individual basis and assessed on their level of engagement with the Company, past experience and future intention to continue trading as travel restrictions are lifted.

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

	2021	2020
Ageing past due but not impaired	**$'000**	**$'000**
Not past due	13,280	11,642
0–30 days	5,170	3,780
31–60 days	591	360
>60 days	208	163
Total ageing past due but not impaired	**19,249**	**15,945**

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

	2021	2020
Other assets	**$'000**	**$'000**
Derivative asset – fuel and foreign currency hedge[1]	11,591	874
Prepaid expenses and other	897	1,949
Total other assets	**12,488**	**2,823**
Current	5,906	2,823
Non-current	6,582	–
Total other assets	**12,488**	**2,823**

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 30 days (2020: 25 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 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. Additional provisions regarding extending payment timeframes have been allowed to support businesses where they have been adversely affected by the imposed travel restrictions. As a result, 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 2021 is shown below.

Property, plant and equipment	Vessels at fair value (Level 3) $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Buildings at fair value (Level 3) $'000	Freehold land at cost $'000	Right-of-use (ROU) at cost $'000	Capital works in progress at cost $'000	Total $'000
Gross book value	219,634	16,376	13,849	2,210	500	7,812	3,430	263,811
Accumulated depreciation	–	(11,347)	(11,841)	(93)	–	(3,394)	–	(26,675)
Closing net book value at 30 June 2020	**219,634**	**5,029**	**2,008**	**2,117**	**500**	**4,419**	**3,430**	**237,137**
Net book value 1 July 2019	219,163	5,312	2,546	2,200	500	7,813	2,067	239,601
Movements in net book value								
Acquisitions	1,906	212	722	10	–	–	1,363	4,213
Major cyclical maintenance	9,614	–	–	–	–	–	–	9,614
Disposals	–	–	(223)	–	–	–	–	(223)
Depreciation and amortisation	(5,103)	(495)	(1,037)	(93)	–	(3,394)	–	(10,122)
Asset revaluation	(5,946)	–	–	–	–	–	–	(5,946)
Closing net book value at 30 June 2020	**219,634**	**5,029**	**2,008**	**2,117**	**500**	**4,419**	**3,430**	**237,137**

Property, plant and equipment								
Gross book value	189,646	16,510	14,311	2,219	500	7,812	131,877	362,875
Accumulated depreciation	–	(13,091)	(12,615)	(186)	–	(6,677)	–	(32,569)
Closing net book value at 30 June 2021	**189,646**	**3,419**	**1,697**	**2,033**	**500**	**1,136**	**131,877**	**330,307**
Net book value 1 July 2020	219,634	5,029	2,008	2,117	500	4,419	3,430	237,137
Movements in net book value								
Acquisitions	746	134	833	10	–	–	128,446	130,169
Major cyclical maintenance	1,791	–	–	–	–	–	–	1,791
Disposals	–	–	(370)	–	–	–	–	(370)
Re-measurement of ROU liability	–	–	–	–	–	110	–	110
Depreciation and amortisation	(1,292)	(1,744)	(774)	(93)	–	(3,393)	–	(7,296)
Asset revaluation	(31,234)	–	–	–	–	–	–	(31,234)
Closing net book value at 30 June 2021	**189,646**	**3,419**	**1,697**	**2,033**	**500**	**1,136**	**131,877**	**330,307**

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
- right of use
- capital works in progress.

Fair value

Vessels and buildings are recorded in the statement of financial position at fair value under AASB 13 *Fair Value Measurement*. To maintain the currency of these assets' valuations, vessels are revalued every year, while buildings are revalued every second year.

For the year ending 30 June 2021, the fair value of the vessels has been determined with reference to valuations provided by third party valuers. The Company engaged independent valuers to undertake vessel valuations. For the comparative year, due to the impacts of COVID-19, there was limited market evidence for an independent valuation to be undertaken. Instead, a Directors' valuation was adopted.

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

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, $80.1 million of impairment expense has been recognised in profit or loss in previous years relating to the current vessels and Edgewater Hotel. This may be credited to profit in future periods should the fair value of the vessels exceed the carrying amount as at the date of measurement for future reporting.

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 2021. As the prevailing market for these types of vessels is predominantly in Europe, the valuation is provided in euros and translated at the prevailing exchange rate on the reporting date. No allowance was made for transport costs as they cannot be reliably determined.

The valuation of each vessel, in Australian dollars, decreased from $109.8 million to $94.8 million between 2020 and 2021. The value in euros has decreased from €67.5 million to €60.0 million. The $30.0 million decrease in the fair value of both vessels was the result of an unfavourable movement in the Australian dollar and euro exchange rate and a decrease in the valuation. In addition to the $30.0 million decrease in fair value for both vessels during the year, they were depreciated $1.3 million during the year and underwent $2.5 million worth of improvements and periodic maintenance. The result of these movements was a $31.2 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 $210.4 million.

Buildings

Australian Property Institute member Matthew Page, of the independent valuer Knight Frank, assessed the land and buildings of the Edgewater Hotel to determine their value at 30 June 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.

COVID-19 had significantly impacted the Tasmanian tourism industry and while it is expected that market conditions will return to 'normal', potentially with a boost in domestic tourism as a result of continuing international boarder closures, it is difficult to predict with any certainty how this may eventuate. Due to the unusual trading patterns resulting from the pandemic, the biennial review of the Edgewater Hotel buildings to fair value have been deferred until 2022.

Asset revaluation recognised in profit or loss	2021 $'000	2020 $'000
Vessels		
Increase/(decrease) in fair value	(29,989)	471
Improvements and periodic maintenance	(2,537)	(11,520)
Gross revaluation (decrement)	**(32,526)**	**(11,049)**
Depreciation[1]	1,292	5,103
Vessel revaluation recognised in profit or loss	**(31,234)**	**(5,946)**
Buildings		
Increase in fair value	–	–
Improvements	–	–
Gross revaluation increment	–	–
Depreciation	–	–
Building revaluation recognised in profit or loss	–	–
Total asset revaluation recognised in profit or loss	**(31,234)**	**(5,946)**

1. Scheduled dry docking of *Spirit of Tasmania II* at Garden Island in New South Wales did not go ahead as planned due to restricted available slots at the yard. All essential maintenance was undertaken during vessel lay days to ensure ongoing safety and reliability. The regulatory requirements in terms of docking the vessels can be satisfactorily met by docking at any time prior to August 2021.

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 are 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 percent 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	30	years
Plant and equipment	3–10	years

Estimations

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

The expected useful lives of the vessels have decreased from 30 years to 27 years as a result of the execution of new ship build contracts. They are expected to be replaced before 2025.

The residual value of the vessels has also been revised with consideration of their current market value and the remaining useful life. The estimated residual value has decreased to $86.7 million from $108.3 million.

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 $2.7 million increase in depreciation in the statement of profit or loss and a corresponding $2.7 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 lives would not result in a material change in depreciation in the statement of profit or loss or a change in the carrying value of property, plant and equipment in the statement of financial position, as the residual value is close to the carrying value.

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

As at the reporting date the Company had committed capital expenditure for the vessels' annual dry dock and new build of $743.6 million (2020: $4.0 million on dry docking).

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	2021 $'000	2020 $'000
Gross book value	9,125	8,997
Accumulated amortisation	(8,498)	(7,806)
Closing net book value at 30 June	**627**	**1,191**
Opening net book value at 1 July	1,191	1,612
Acquisitions	128	637
Amortisation	(692)	(1,058)
Closing net book value at 30 June	**627**	**1,191**

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	2021 $'000	2020 $'000
Trade and other payables	**8,945**	**11,142**

Other liabilities	2021 $'000	2020 $'000
Derivative liability – fuel hedge	–	5,012
Revenue received in advance and other liabilities	25,395	8,695
Total other liabilities	**25,395**	**13,707**
Current	25,395	13,577
Non-current	–	130
Total other liabilities	**25,395**	**13,707**

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 27,949 bookings (2020: 10,024) for future sailings and the ageing profile at the reporting date is shown below.

Revenue received in advance Ageing profile	2021 $'000	2020 $'000
Overpaid	46	66
1–3 months	25,138	8,144
4–6 months	90	69
6–12 months	11	25
>12 months	–	2
Total revenue in advance	**25,285**	**8,306**

Revenue received in advance reported at 30 June 2020 has either been recognised as revenue or refunded per the Companies agreed terms and conditions. The prior year revenue in advance balance was significantly impacted by government imposed travel restrictions and the resulting uncertainty for future travel due to the COVID-19 pandemic.

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 domestic and international non–interest-bearing creditors.

The average credit period received on purchases of goods and services was 17 days (2020: 14 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	2021 $'000	2020 $'000
Marine fuel	1,797	1,086
Maintenance stock	866	872
Food and beverage stock	887	650
Total inventories	**3,550**	**2,608**

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 $41.6 million (2020: $52.7 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.

	2021	2020
Provisions	**$'000**	**$'000**
Workers compensation[1]	1,557	776
Long service leave	9,221	9,064
Annual leave	7,594	7,005
Defined benefit obligation[2]	7,001	7,913
Total provisions	**25,373**	**24,758**
Current	16,586	14,640
Non-current	8,787	10,118
Total provisions	**25,373**	**24,758**

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; 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 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]		Executive remuneration[2]		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Short-term employee benefits	307	301	2,945	3,193	3,252	3,494
Post-employment benefits	25	27	222	239	247	266
Long-term benefits	–	–	45	(80)	45	(80)
Termination benefits	–	–	9	198	9	198
Total	**332**	**328**	**3,221**	**3,550**	**3,553**	**3,878**

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 represent superannuation contributions.

2. Executive remuneration short-term employee benefits include base salary, incentive payments, vehicles, other benefits and other non-monetary benefits. Post-employment benefits represent 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 Transport and 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 June 2021. Under these guidelines, the remuneration band for the CEO is determined by the Treasurer. 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 Treasurer when determining the CEO's remuneration package.

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

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

There were no incentives paid during the current year due to the Company's cost saving initiatives in response to COVID-19.

Termination benefits

A termination payment of $9,000 was made to Mr S Pearce during the current year. Mr S Pearce resigned and ceased employment in January 2021. The termination payment represented the balance of accrued leave entitlements.

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.

For the full year, Ms A Johnson was acting in the role of General Manager Port Operations while Mr P Davis was seconded to the role of Head of Strategic Projects.

Directors' remuneration

The remuneration details for each person who acted as a Director during the current and previous financial years are shown below.

2021 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
Mr D Bugg	Full term	41	–	4	45
Captain R Burgess	Full term	41	–	4	45
Ms S Ewart	To November 2020	17	3	2	22
Ms C Filson	Full term	41	5	4	50
Ms H Galloway	Full term	41	5	4	50
Ms Y Rundle	From December 2020	24	2	2	29
Executive Director[3]					
Mr B Dwyer – CEO	Full year	–	–	–	–
Total		**286**	**20**	**25**	**332**

2020 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
Mr D Bugg	From July 2019	34	–	3	37
Captain R Burgess	Full term	41	–	4	45
Ms S Ewart	Full term	41	7	4	52
Ms C Filson	Full term	41	5	4	50
Ms H Galloway	Full term	41	5	4	50
Executive Director[3]					
Mr B Dwyer – CEO	Full year	–	–	–	–
Total		**279**	**22**	**27**	**328**

1. Amounts are all forms of consideration paid, payable or provided by the Company – that is 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 years are shown below.

2021 executive remuneration[1]	Base salary[2]	Incentive payments[3]	Superannuation[4]	Vehicles[5]	Other monetary benefits[6]	Other non-monetary benefits[7]	Total remuneration	Termination benefits[8]	Other long-term benefits[9]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Mr B Dwyer *CEO (full year)*	449	–	22	22	1	–	**494**	–	5	**499**
Mr D Collett *Chief Information Officer (from April 2021)*	41	–	4	–	5	–	**50**	–	4	**54**
Mr P Davis[10] *General Manager Port Operations* *<u>Seconded</u> Head of Strategic Projects (full year)*	201	–	19	14	1	–	**235**	–	1	**236**
Captain R Hall *General Manager Marine Operations (full year)*	270	–	22	3	20	–	**315**	–	18	**333**
Mr N Harriman *General Manager Retail and Hospitality (full year)*	242	–	22	22	1	–	**287**	–	–	**287**
Ms K Holandsjo[11] *General Manager Passenger Sales (full year)*	104	–	10	15	–	1	**130**	–	3	**133**
Ms A Johnson[12] *<u>Acting</u> General Manager Port Operations (full year)*	139	–	13	16	–	–	**168**	–	17	**185**
Mr K Maynard *General Manager Corporate Services (full year)*	205	–	20	14	1	–	**240**	–	7	**247**
Mr J McGrath *General Manager Human Resources (full year)*	285	–	21	22	1	1	**330**	–	(24)	**306**
Mr S Pearce *Chief Information Officer (to January 2021)*	118	–	11	12	1	–	**142**	9	(24)	**127**
Ms E Panos[13] *General Manager Marketing (full year)*	177	–	19	3	18	–	**217**	–	5	**222**
Ms K Sayers *Chief Financial Officer (full year)*	292	–	21	18	1	–	**332**	–	23	**355**
Mr I Whitechurch *General Manager Freight Sales (full year)*	190	–	18	17	1	1	**227**	–	10	**237**
Total	**2,713**	**–**	**222**	**178**	**51**	**3**	**3,167**	**9**	**45**	**3,221**

2020 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)*	450	–	21	23	1	–	**495**	–	21	**516**
Mr P Davis[10] *General Manager Port Operations* *Seconded Head of Strategic Projects (full year)*	200	26	21	15	1	–	**263**	–	10	**273**
Captain R Hall *General Manager Marine Operations (from March 2020)*	70	–	5	–	7	–	**82**	–	8	**90**
Mr N Harriman *General Manager Retail and Hospitality (full year)*	242	31	24	20	1	3	**321**	–	–	**321**
Ms K Holandsjo[11] *General Manager Passenger Sales (full year)*	199	29	21	16	1	6	**272**	–	1	**273**
Ms A Johnson[12] *Acting General Manager Port Operations (full year)*	137	6	14	16	–	–	**173**	–	18	**191**
Mr K Maynard *General Manager Corporate Services (full year)*	205	12	21	14	1	24	**277**	–	(1)	**276**
Mr J McGrath *General Manager Human Resources (full year)*	285	41	25	22	1	2	**376**	–	(8)	**368**
Captain S Michael *General Manager Marine Operations (to November 2019)*	131	35	13	10	–	–	**189**	198	(187)	**200**
Mr S Pearce *Chief Information Officer (full year)*	202	23	21	15	1	–	**262**	–	18	**280**
Ms E Panos[13] *General Manager Marketing (full year)*	66	11	8	–	10	–	**95**	–	10	**105**
Ms K Sayers *Chief Financial Officer (full year)*	292	38	25	18	1	–	**374**	–	24	**398**
Mr I Whitechurch *General Manager Freight Sales (full year)*	190	21	20	17	1	4	**253**	–	6	**259**
Total	**2,669**	**273**	**239**	**186**	**26**	**39**	**3,432**	**198**	**(80)**	**3,550**

1. Amounts are all forms of consideration paid, payable or provided by the Company – that is 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 and salary continuance insurance (current reporting year only).

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 (for example, 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 includes 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 is the General Manager Port Operations. From July 2019 Mr Davis has been seconded to the role of Head of Strategic Projects.

11. Ms K Holandsjo was a member of the key management personnel for the full year. She has had five months leave without pay for the current reporting period.

12. Ms A Johnson was appointed as acting General Manager Port Operations for the current and prior financial years.

13. Ms E Panos was a member of the key management personnel for the full year. She has had four months leave without pay for the prior reporting period.

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	2021 $'000	2020 $'000
Defined benefit obligation	8,561	9,301
Fair value of scheme assets	(1,560)	(1,388)
Net defined benefit liability	**7,001**	**7,913**
Current	97	98
Non-current	6,904	7,815
Net defined benefit liability	**7,001**	**7,913**

Reconciliation of the defined benefit obligation	2021 $'000	2020 $'000
Present value of defined benefit obligation at the beginning of the period	**9,301**	**9,197**
Current service cost	204	206
Interest cost	290	297
Contributions by plan participants	40	39
Actuarial (gains)/losses arising from changes in demographic assumptions	–	(124)
Actuarial (gains)/losses arising from changes in financial assumptions	(74)	(107)
Actuarial (gains)/losses arising from liability experience	(420)	(92)
Benefits paid	(780)	(115)
Estimated taxes, premiums and expenses paid	–	–
Present value of defined benefit obligation at the end of the period	**8,561**	**9,301**

Reconciliation of the fair value of scheme assets	2021 $'000	2020 $'000
Fair value of fund assets at the beginning of the period	**1,388**	**1,469**
Interest income	44	48
Actual return on plan assets less interest income	339	(134)
Employer contributions	529	81
Contributions by plan participants	40	39
Benefits paid	(780)	(115)
Taxes, premiums and expenses paid	–	–
Fair value of fund assets at the end of the period	**1,560**	**1,388**

Reconciliation of the net defined benefit liability	2021 $'000	2020 $'000
Net defined benefit liability at the beginning of the period	**7,913**	**7,728**
Current service cost	204	206
Net interest	246	249
Actual return on plan assets less interest income	(339)	134
Actuarial (gains)/losses arising from changes in demographic assumptions	–	(124)
Actuarial (gains)/losses arising from changes in financial assumptions	(74)	(107)
Actuarial (gains)/losses arising from liability experience	(420)	(92)
Employer contributions	(529)	(81)
Present value of defined benefit obligation at the end of the period	**7,001**	**7,913**

Plan information

Members of the Contributory Scheme receive lump-sum or pension benefits on retirement, death, invalidity or upon reaching preservation age after resignation. The Contributory Scheme is closed to new members.

Regulatory framework

The RBF Scheme (the Scheme) 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 far as practicable.

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

Past service costs are 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	**2021 $'000**	**2020 $'000**
Current service	204	204
Interest	290	297
Components of defined benefit costs recognised in profit or loss	**494**	**501**

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.

Components recognised in other comprehensive income	**2021 $'000**	**2020 $'000**
Actuarial (gains)/losses arising from changes in demographic assumptions	–	(124)
Actuarial (gains)/losses arising from changes in financial assumptions	(74)	(107)
Actuarial (gains)/losses arising from liability experience	(420)	(92)
Actual return on plan assets less interest income	(339)	134
Components of defined (benefit)/cost recognised in other comprehensive income	**(833)**	**(189)**

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 14 July 2021, 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 2.15 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.

2021 [1]	Quoted prices in active markets for identical assets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Unobservable inputs (Level 3) $'000	Total $'000
Asset category				
Cash and cash equivalents	–	–	–	–
Equity instruments (Australia)	–	246	–	246
Equity instruments (international)	–	313	–	283
Infrastructure	–	51	151	202
Diversified fixed interest	–	389	–	389
Property	–	22	273	295
Alternative investments	–	115	–	115
Total	**–**	**1,136**	**424**	**1,560**

1. Estimated based on assets allocated to the Company at 30 June 2021 and asset allocation of the Contributory Scheme at 30 June 2020.

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	**2021 %**	**2020 %**
Discount rate (active members)	3.15	3.25
Discount rate (pensioners)	3.15	3.25
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	3.00	3.00
Expected pension increase rate	2.25	2.50

Assumptions to determine end of year defined benefit obligation	**2021 %**	**2020 %**
Discount rate (active members)	3.20	3.15
Discount rate (pensioners)	3.20	3.15
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	3.00	3.00
Expected pension increase rate	2.25	2.25

Sensitivity analysis

The defined benefit obligation at 30 June 2021, 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: 1.00 per cent per annum lower discount rate assumption
- Scenario B: 1.00 per cent per annum higher discount rate assumption
- Scenario C: 1.00 per cent per annum lower expected pension increase rate assumption
- Scenario D: 1.00 per cent per annum higher expected pension increase rate assumption.

	Discount rate % pa	**Pension increase rate % pa**	**Defined benefit obligation $'000**
Base case	3.20	2.25	8,561
Scenario A	2.20	2.25	10,282
Scenario B	4.20	2.25	7,231
Scenario C	3.20	1.25	7,645
Scenario D	3.20	3.25	9,682

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	**2022 $'000**
Expected employer contributions in 2022	97

Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation for the Company is 18.2 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 investments) and the equity of the Company (comprising issued capital, contributed capital, reserves and retained earnings), with a net equity position at the reporting date of $407.2 million (2020: $371.3 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.

During the year the Company returned $81.0 million of contributed equity to the legislated vessel replacement fund. In prior years, the Company had incorrectly reported this contribution from the fund as an increase in share capital. The adjustment for the classification error has been reflected as a movement between the opening balances of share capital and contributed equity.

During the year the Company received $128.3 million of contributed equity from the legislated vessel replacement fund. No additional voting rights were issued.

	2021	2020
Share capital	**$'000**	**$'000**
Ordinary shares		
fully paid 328,981,119	**328,981**	**328,981[1]**
(2020: 328,981,119)		

1. Opening balance restated to reflect the $81.0 million classification correction of contributed equity from the legislated vessel replacement fund

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 2020.

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 marine 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, marine 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 marine fuel price. The Company is exposed to cash flow variability in operating expenditure attributable to the purchase price of marine fuel. This variability is mainly caused by:

- movements in the price of marine fuel (denominated in 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 marine fuel, the Company enters into marine fuel swaps to exchange the US dollar–denominated floating price, which is based on the Mean of Platts Singapore Gasoil 10PPM 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 were managed and measured during the reporting period.

Fuel price sensitivity analysis

The table below summarises the potential impact of reasonably possible changes in the US dollar price of marine fuel on net profit and equity for the period ended

30 June 2021. This only reflects the impact on the financial instrument and does not reflect the cost change of marine fuel as a whole.

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

	Net profit		Equity	
Marine fuel price	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
10% increase	2,253	1,493	3,608	2,665
10% decrease	(2,253)	(1,597)	(3,608)	(2,665)

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 2021. This only reflects the impact of the financial instrument and does not reflect the cost change of marine 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	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
10% increase	(2,048)	(1,500)	(3,280)	(2,442)
10% decrease	2,503	1,621	4,009	2,961

Foreign currency risk management

In addition to the market risk regarding foreign currency risk on marine 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 doesn't have any financial derivatives to manage any related interest rate risk.

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit for the reporting period would have increased or decreased by $0.8 million (2020 increased or decreased by $0.9 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 that are past due and determined that a loss allowance for 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 marine 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 tourism industry has been significantly impacted by COVID-19, and the current restrictions that are currently enforced are being closely monitored with consideration of how they will affect individual customers.

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 marine 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.

As part of the Tasmanian Government's response to the COVID-19 pandemic, the Treasurer has ensured that all government businesses have access to sufficient funding. On 15 June 2020 the Treasurer provided explicit support in the form of an unconditional guarantee to the Tasmanian Public Finance Corporation for the Company maximum borrowing limit of $45.0 million (2020: $45.0 million unsecured bank overdraft facility unused). As at 30 June 2021, no borrowings have been required by the Company

D3 Using derivatives to hedge risk

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

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

	2021	2020
Derivative financial assets	**$'000**	**$'000**
Marine fuel hedge	5,182	874
Foreign currency hedge	6,409	–
Total derivative financial assets	**11,591**	**874**

	2021	2020
Derivative financial liabilities	**$'000**	**$'000**
Marine fuel hedge	–	5,012
Foreign currency hedge	–	–
Total derivative financial liabilities	–	**5,012**

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

	2021	2020
Cash flow hedging reserve	**$'000**	**$'000**
Balance at the beginning of the period	(2,896)	(19,807)
Effective portion of changes in fair value of cash flow hedge	17,066	(10,922)
Transfer of hedge reserve to statement of comprehensive income	(1,337)	32,574
Net impact on equity before tax	**15,729**	**21,652**
Deferred tax liability arising on market valuation	(4,719)	(4,741)
Net impact on equity after tax	**11,010**	**16,911**
Balance at the end of the period	**8,114**	**(2,896)**

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 marine 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 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 marine 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.

2021	Quoted prices in active markets for identical assets $'000	Significant observable inputs $'000	Unobservable inputs $'000	Total $'000
Financial assets at FVTPL				
Marine fuel hedge	–	5,182	–	5,182
Foreign currency hedge	–	6,409	–	6,409
Total financial assets at FVTPL	–	**11,591**	–	**11,591**
Financial liabilities at FVTPL				
Marine fuel hedge	–	–	–	–
Foreign currency hedge	–	–	–	–
Total financial liabilities at FVTPL	–	**–**	**–**	**–**

2020	Quoted prices in active markets for identical assets $'000	Significant observable inputs $'000	Unobservable inputs $'000	Total $'000
Financial assets at FVTPL				
Marine fuel hedge	–	874	–	874
Foreign currency hedge	–	–	–	–
Total financial assets at FVTPL	–	**874**	–	**874**
Financial liabilities at FVTPL				
Marine fuel hedge	–	5,012	–	5,012
Foreign currency hedge	–	–	–	–
Total financial liabilities at FVTPL	–	**5,012**	–	**5,012**

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 2021. 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.

	Under 1 year	1–5 years	More than 5 years	Total
2021 – Expected cash flows	**$'000**	**$'000**	**$'000**	**$'000**
Marine fuel hedge				
Assets	4,810	372	–	5,182
Liabilities	–	–	–	–
Forward exchange contract				
Assets	199	6,210	–	6,409
Liabilities	–	–	–	–

	Under 1 year	1–5 years	More than 5 years	Total
2020 – Expected cash flows	**$'000**	**$'000**	**$'000**	**$'000**
Marine fuel hedge				
Assets	874	–	–	874
Liabilities	4,882	130	–	5,012
Forward exchange contract				
Assets	–	–	–	–
Liabilities	–	–	–	–

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	2021 $'000	2020 $'000
Cash and cash equivalents	80,471	192,324
Investments	30,000	–
Trade and other receivables	19,249	15,945

Financial liabilities	2021 $'000	2020 $'000
Trade and other payables	8,945	11,142
Lease liabilities	1,127	4,539

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 as financial assets at FVTPL, financial assets at other comprehensive income or 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 and makes allowances for 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 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 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 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.

2021 – 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	80,431	–	–	–	40	80,471
Investments	–	30,000	–	–	–	30,000
Trade and other receivables	–	–	–	–	19,249	19,249
Total non-derivative financial assets	**80,431**	**30,000**	–	–	**19,289**	**129,720**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	8,945	8,945
Lease liabilities	–	787	340	–	–	1,127
Total non-derivative financial liabilities	–	**787**	**340**	–	**8,945**	**10,072**

2020 – 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	192,268	–	–	–	56	192,324
Trade and other receivables	–	–	–	–	15,945	15,945
Total non-derivative financial assets	**192,268**	–	–	–	**16,001**	**208,269**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	11,142	11,142
Lease liabilities	–	3,484	1,055	–	–	4,539
Total non-derivative financial liabilities	–	**3,484**	**1,055**	–	**11,142**	**15,681**

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, information technology (IT) and gym equipment. All leases are non-cancellable.

The Company leases IT equipment with contract terms of one and three years. These leases are short-term leases and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

The Company has a signed agreement with GeelongPort Pty Ltd to develop custom-built terminal facilities. The move is expected to occur in 2022, in line with the expiring Melbourne terminal lease.

New leases for both the Victorian and Tasmanian berths have not been recognised on the balance sheet at the reporting date as negotiations for the Tasmanian berth are in the preliminary phase and financial commitments are not yet known or quantifiable and the material conditions of the commitment to lease agreement with GeelongPort Pty Ltd have not yet been met.

In June 2021, the third-party operator terminated the contract with the Company in relation to leasing of the gaming area aboard both vessels, with no penalties for early release of the License and Agreement.

Non-cancellable operating lease payments	2021 $'000	2020 $'000
Under 1 year	802	3,559
Longer than 1 year but not longer than 5 years	343	344
Longer than 5 years	–	–
Total non-cancellable operating lease payments	**1,144**	**3,903**

Recognition and measurement

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in AASB 16 *Leases*.

The Company as lessor

The Company does not currently lease out any assets and does not hold any sub-leases at 30 June 2021.

The Company as lessee

At the commencement, or on the modification, of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for property leases, the Company has elected not to separate non-lease components, but instead account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from the Tasmanian Public Finance Corporation, which is the financing arm of the Tasmanian Government, and adjusting for the Company's applicable guarantee fee.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate; if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; if the Company changes its assessment of whether it will exercise a purchase, extension or termination option; or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Information about leases for which the Company is a lessee is presented below.

Right-of-use (ROU) assets	Land and buildings $'000	Equipment $'000	Total $'000
Balance 1 July 2020	4,362	57	4,419
Depreciation charge for the year	(3,373)	(20)	(3,393)
Re-measurement of ROU asset	109	1	110
Additions to ROU assets	–	–	–
Balance at 30 June 2021	**1,098**	**37**	**1,136**

Amounts recognised in profit or loss	2021 $'000	2020 $'000
Leases under AASB 16		
Interest on lease liabilities	64	168
Expenses relating to short-term leases	137	124
Expenses relating to leases of low-value assets, excluding short-term leases of low value	95	78

Amounts recognised in Statement of Cash Flows	2021 $'000	2020 $'000
Total cash outflow for leases	3,818	3,643

Extension options

Some property and equipment leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. At Lease commencement date the Company assesses whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Company currently only has lease extension options on short-term or low-value leases that will not increase lease liabilities. Land and building leases held by the Company are either being re-negotiated or are planned to cease at the end date.

E2 Auditor's remuneration

The auditor of the Company is the Tasmanian Audit Office. Fees charged for the auditing the current year's financial report were $77,140 (2020: $74,890).

E3 Contingent assets and liabilities

At 30 June 2021, 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.

The property lease for the Melbourne terminal site is nearing the end of its lease term. This lease agreement has a provision for 'make good arrangements' that may be exercised. At 30 June 2021 it is not possible to estimate the amounts of any eventual payment that may be required in relation to this lease agreement.

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 (2020: $90,000) in sponsorship to the Tourism Industry Council Tasmania. Mr Bernard 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 Tasmanian government.

During the year ended 30 June 2021, the Company incurred a cost of $947,460 (2020: $944,626) in relation to this CSO.

E6 Other accounting policies

Accounting for goods and services tax

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.

Standard/Interpretation
AASB 2018-6 ***Amendments to Australian Accounting Standards – Definition of a Business*** Amends AASB 3 Business Combinations to clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments arising from this standard have been assessed and have not changed the reported financial position or performance of the Company.
AASB 2018-7 ***Amendments to Australian Accounting Standards – Definition of Material*** These amendments are intended to address concerns that the wording in the definition of 'material' was different in the Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments arising from this standard have been assessed and have not changed the reported financial position or performance of the Company.

Standards and interpretations in issue but not yet adopted

On the date the financial statements were authorised, there were no standards or interpretations that were in issue but not yet effective that are likely to materially affect the Company.

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

SPIRIT OF TASMANIA