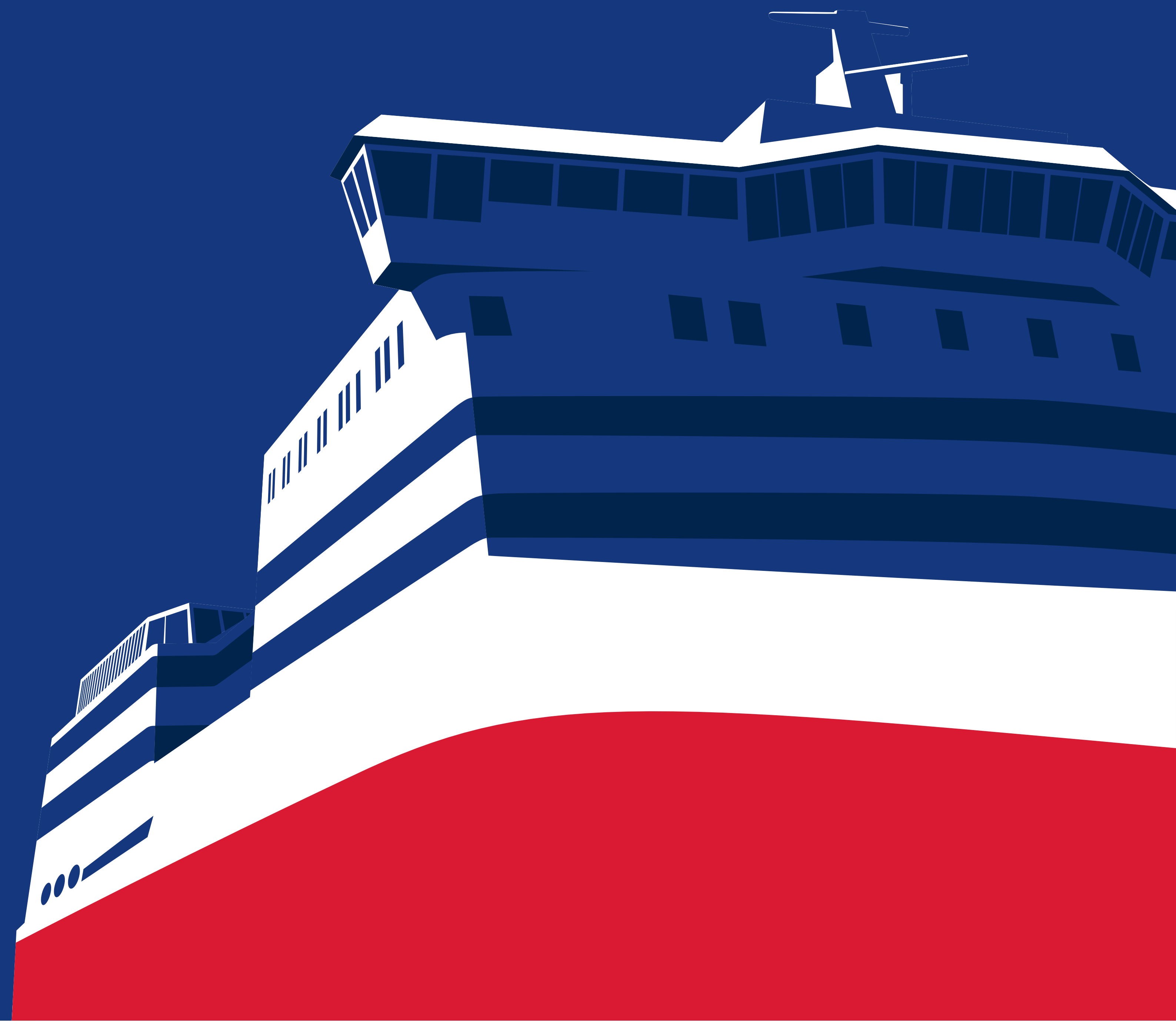
TT-Line Company Pty Ltd

Annual report

2022/23



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 Geelong Bass Strait route and through the operation of the Edgewater Hotel in Devonport.

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From the Chairman

When reflecting on the achievements and milestones of the 2022/23 financial year, the arrival of Spirit of Tasmania II at her new Victorian home at Geelong for the first time in October 2022 was one of the most significant.

It officially marked the start of a new era in Bass Strait passenger, passenger vehicle and freight transport, and represented a once in a generation opportunity for Spirit of Tasmania to further enhance the experience of its passengers.

Placing the move from Station Pier at Port Melbourne to Geelong alongside the investment the Company is making in Spirit of Tasmania IV and Spirit of Tasmania V to provide long-term increased capacity on Bass Strait, the Company has not only secured its future but has laid the foundation for a major boost to Tasmania's visitor economy and the broader Tasmanian economy.

While Rauma Marine Constructions (RMC), the Company appointed to build the two new ships, formally started construction of the new vessels last financial year, at the time of writing, construction of the first vessel was well underway. The first steel for the second vessel was cut in December 2022 which was followed by the keel laying ceremony in May 2023.

The new Spirit of Tasmania vessels will feature up to $100 million in Tasmanian and Australian content. With this in mind, a number of contracts were awarded to Tasmanian firms during the reporting period to provide content for the builds. They include the provision of catering and hotel equipment, marine fire safety insulation material, carpet, marine blinds, arcade games, water filling stations, artwork and beer and post mix system equipment.

I am very pleased to report that the Company's performance in 2022/23 continued to rebound strongly after the ongoing uncertainty caused by COVID-19.

The Company reported total revenue of $307.1 million (2021/22: $240.8 million) and a profit after tax for the year of $8.6 million (2021/22: $14.1 million loss after tax).

The number of sailings increased by 73 to 896 (823 last financial year) enabling the Company to transport a record number of 450,012 passengers (2021/22: 284,323).

After virtually unlimited space was available to our freight customers in 2021/22 because of COVID-19, space availability for freight this reporting period was constrained by passengers and their vehicles returning to travel on board our vessels in record numbers with the lifting of travel restrictions.

Importantly and positively, independent expert modelling for future travel demand on the new vessels projected a continuation of strong passenger growth. Similar projections were made for freight and the Company's first-in, last out sailing schedule for the time sensitive freight market.

The safety of our passengers, our crew and the environment continues to be our absolute priority and remains our main focus as we continue to seek and introduce initiatives to enhance on board safety. We constantly review our safety performance and statistical trends to identify areas that have potential for improvement. Our crews are highly trained and motivated that work closely with management to identify and implement Health Safety and Environmental improvement opportunities.

Spirit of Tasmania I and Spirit of Tasmania II are highly regarded on the international ship market thanks to the Company's rigorous maintenance schedule. Further, the vessels fully comply with the International Maritime Organisation (IMO) global cap on sulphur emissions. The vessels were valued at 53.5 million Euros each as at 30 June 2023 (30 June 2022: 54.5 million Euros). This minor decrease from last financial year reflects the age of the vessels, the current ferry resale market, and the ongoing impact of COVID-19.

Spirit of Tasmania benefited from two significant partnerships in the reporting period – the Tasmania JackJumpers 2022/23 season in the National Basketball League and the North Melbourne Kangaroos AFL and AFLW seasons. Both partnerships presented the opportunity to not only increase Spirit of Tasmania brand recognition within their specific markets but also to raise awareness about the Company's move away from Station Pier to Geelong.

TT-Line employs a highly dedicated team of professionals who all contribute to the success of the organisation. The Board recognises this and believes it is a key reason the Company has delivered another highly successful year that was not without its challenges. To all our employees, thank you.

On behalf of the Board, I would also like to thank the senior management team for their collective hard work. And on behalf of myself, I would like to thank my Board colleagues for their significant work and contributions during the reporting period.

Finally, thank you to the Treasurer and the Minister for Infrastructure and Transport, Michael Ferguson, for his work with and support of the Company during the year.

Michael Grainger
Chairman


SPIRIT of TASMANIA
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Report from the Chief Executive Officer

Last year's Annual Report made consistent references to the ongoing impact of COVID-19, travel restrictions and state border closures, impacting much of the first half of the 2021/22 financial year.

The report also noted that future bookings across all aspects of the business were extraordinarily strong.

Pleasingly, as predicted, in 2022/23 TT-Line Company Pty Ltd's performance rebounded strongly.

Total revenue increased to $307.1 million, the Company recorded an after-tax profit of $8.6 million, the number of sailings increased to 896 and the vessels carried a record number of passengers now exceeding 450,000.

This has shown an accelerated recovery from COVID, and we are now carrying more passengers than the year prior to the pandemic outbreak.

A remarkable effort from all those that work at Spirit of Tasmania.

Our people

After two years of disruption because of COVID-19, the Company experienced one of its busiest years on record. During the year, the commitment of our ship and shore staff to providing our passengers and clients with an outstanding level of service did not waiver.

While the vessels continued to operate with the required crew numbers to meet all safety requirements, the workloads for staff increased enormously. The flexibility and commitment of all employees during this period was outstanding and appreciated.

Further, our staff contributed enormously to our move and transition from Station Pier at Port Melbourne to Spirit of Tasmania Quay at Geelong, working tirelessly to enable the seamless transition of operations.

The flexibility and commitment of all employees during the COVID-19 period was outstanding and appreciated.

Passengers who sail with Spirit of Tasmania are emailed a personal invitation to complete a survey following the sailing. The survey covers all aspects of the passenger experience with us from making a booking, boarding, onboard facilities, through to disembarkation. By completing the survey our passengers provide direct feedback regarding their experience. The survey also provides a Customer Satisfaction (CS) Score based on the answers the passenger provides in the survey.

During 2022/23 we received 21,994 survey responses from our passengers. The CS Score for this period was more than 93 per cent, which is an exceptional result.

Specifically in May 2023 passengers surveyed providing a plus 95 per cent CS Score. This was the highest monthly score for the 2022/23 period. All areas of our operation that are measured in the survey continue to rate highly, according to survey results.

Spirit of Tasmania aims to respond within 12 hours to passenger surveys where the passenger has rated the experience 85 per cent CS Score or less, or to surveys where the passenger indicates they experienced a problem. We exceeded this goal during the 2022/23 period with the average time to respond to passenger surveys of five-and-a-half hours.

The results are recognition for the exceptional team members we have delivering excellent customer service. We are frequently commended on the friendliness and professionalism of our customer service teams on the telephone, on shore and the crew on board.

Throughout the year we remained committed to developing and growing our people. Continuation of the 'Spirited Leader' program ensured we were able to invest in building leadership capability in leaders at all levels. Another key training program delivered during the reporting period was the 'Great Customer Experience', a tailored program designed and facilitated by the Tasmanian Hospitality Association that focused on ensuring our customer facing roles provide outstanding levels of service to passengers. It has been specifically designed for tourism and hospitality venues across the state.

Our crew also participated in courses in wine knowledge, Tasmanian produce and product training, service dining and barista training.

The Company continued its 'Look Out, Live Well' program, an integrated health, safety and wellbeing program that includes on-site physiotherapy and exercise programs, mental health support and education and appropriate workplace behaviour training and support.

The Company invested heavily to increase crew numbers ahead of the arrival of the new vessels. Three new intakes of seagoing employees completed their sea safety training at the Australian Maritime College and for the first time in more than 10 years, the Company recruited an intake of Trainee Integrated Ratings.

New vessels

Shipbuilder Rauma Marine Constructions (RMC) formally started construction on the new Spirit of Tasmania IV when the first steel was cut at a traditional ceremony attended by Company officials at the RMC facility in Finland last financial year. RMC reports that construction works are well advanced.

Work on the second vessel, Spirit of Tasmania V, officially commenced with her steel cutting ceremony in December 2022, which was followed by a keel laying event in May 2023.

Spirit of Tasmania will take possession of both vessels in the 2024 calendar year.

While the new ships will be a similar design to the current Spirit of Tasmania vessels, they will feature larger capacity for passengers, passenger vehicles and freight.

Specifically, passenger capacity will increase from 1400 to 1800 and the number of cabins will increase from 222 to 301. Critically, the number of lane metres for passenger and freight vehicles on board the vessels will increase by almost 60 per cent.

The new vessels will also feature 118 standard seat recliners and 47 business recliners.

The new vessels will be 212-metres-long (compared to the current vessels that are 194.33-metres-long), 31-metres-wide (25-metres) and 50.3-metres high (46.4-metres).

The Company is incredibly excited about the new ships, including the increased size, the quality and design of the build and the new amenities for passengers.

The new ships will feature up to $100 million in Tasmanian and Australian content to boost Tasmanian manufacturing and support local jobs.

Several contracts were awarded to Tasmanian firms during the reporting period to provide content for the new ships.

They include the provision of catering and hotel equipment, marine fire safety insulation material, carpet, marine blinds, arcade games, water filling stations, artwork and beer and post mix system equipment.

The Tasmanian firms awarded contracts have indicated how important the opportunity to work with RMC and Spirit of Tasmania has been for their respective business and for future opportunities and growth.

The Company is incredibly excited about the new ships.

Retail & Hospitality

Spirit of Tasmania maintained a strong focus on Tasmanian produce during 2022/23 with more than 90 per cent of wine and 80 per cent of food sourced from Tasmanian suppliers.

Sales at the Tasmanian Market Kitchen (TMK) on Deck 7 more than doubled from 76,915 in 2021/22 to 172,748 this reporting period. This can obviously be attributed to the returning passenger market following the lifting of COVID-19 restrictions. Our on-board chefs did an excellent job in not only meeting the demand but presenting fresh produce daily to passengers.

The Company continued to focus on delivering prominent levels of customer service and delivering on its brand promise of "exceptional passenger service".

After 37 years at Station Pier, in October 2022 Spirit of Tasmania moved to our new facility at Spirit of Tasmania Quay in Geelong.

The new Geelong facility has significantly improved the Company's ability to deliver an elevated level of service to our passengers across all areas of our business. Passenger feedback provided to the Company reflects this positive change.

In December 2022, in line with relaxed government requirements and recommendations from public health consultants, our COVID cleaning program was scaled back to pre-COVID requirements - including the frequency of cleaning and disinfection and, the cessation of fogging.

A major review of the Hazard Analysis Critical Control Point (HACCP) program, including related Standard Operating Procedures, was undertaken in preparation for the new HACCP program which is in preliminary stages of development for Spirit of Tasmania IV and Spirit of Tasmania V.

Passenger feedback provided to the Company reflects positive change.


SUNBITES
popcorn
LIGHTLY SALTED
The Good Apple


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The major elements the program covers are:

- Company accountabilities for food safety.
- Food process steps and distribution.
- Analysis of hazards and identification of Critical Control Points & Critical Limit.
- Quality Management System policies and procedures including training.
- Support Programs (maintenance programs, cleaning and sanitising processes, pest control programs etc.).
- Schedules, registers, and records (operational and management).

By implementing the HACCP program, the Company is working to effectively manage risks relating to food safety, obtain and maintain HACCP Certification, meet the requirements of legislation and meet and exceed customer expectations.

As part of our ongoing effort to reduce, reuse and recycle, we are registered to take part in the Tasmanian Government's Container Refund Scheme.

Enhancing the passenger experience, musicians and entertainers performed on board the vessels during the reporting period. An acoustic singer performed on every night sailing with additional entertainers performing on day sailings during the summer months. All performers were from Tasmania.

The development of day sailing activities was well received by those travelling during school and non-school holidays. The content includes hands on activities, creating artistic mementoes, listening to stories of Tasmanian destinations and presentations that tap into the core appeals of Tasmania.

The Company is working to effectively manage risks.

Marketing

The Company continued to deliver highly effective and cost-efficient marketing activities throughout the 2022/23 financial year.

Specifically, it continued to deliver 'Be a Spirited Traveller' brand messaging, strengthened brand awareness and engagement in key markets, delivered successful marketing and communication for the move from Station Pier to Geelong and delivered partnerships and sponsorships to support the Company's business objectives.

As a result of these activities, website traffic increased by 47 per cent compared to the previous year, with a total of 2.9 million users visiting the Spirit of Tasmania website. This resulted in 125,210 transactions, a 23.4 per cent increase compared to the previous period.

The Company continued to send emails to a highly engaged database. Open rates remained strong with a unique open rate of 36.27 per cent, which is slightly higher than the 34.49 per cent opening rate achieved during the previous year.

The Company's social media following increased by nine per cent with more than 127,000 fans and followers.

Between July 2022 and February 2023, campaign activity was primarily focused on building awareness about the relocation of Spirit of Tasmania's Victorian terminal to Geelong across key markets including Victoria, Tasmania, New South Wales and South Australia.

As noted, 'Be a Spirited Traveller' brand messaging continued throughout the year, highlighting the benefits of taking your car to Tasmania and highlighting onboard dining, accommodation and entertainment.

Digital advertising ran across the full year and was supported by social advertising which ran for 47 weeks of the year. This activity was targeted to key audiences in Tasmania, New South Wales, South Australia and Queensland.

Mainstream advertising including television ran for 32 weeks, out-of-home (OOH) ran for 39 weeks, radio ran for 27 weeks and press ran for 17 weeks of the year.

During the 22/23 financial year, a range of digital initiatives were implemented, including:

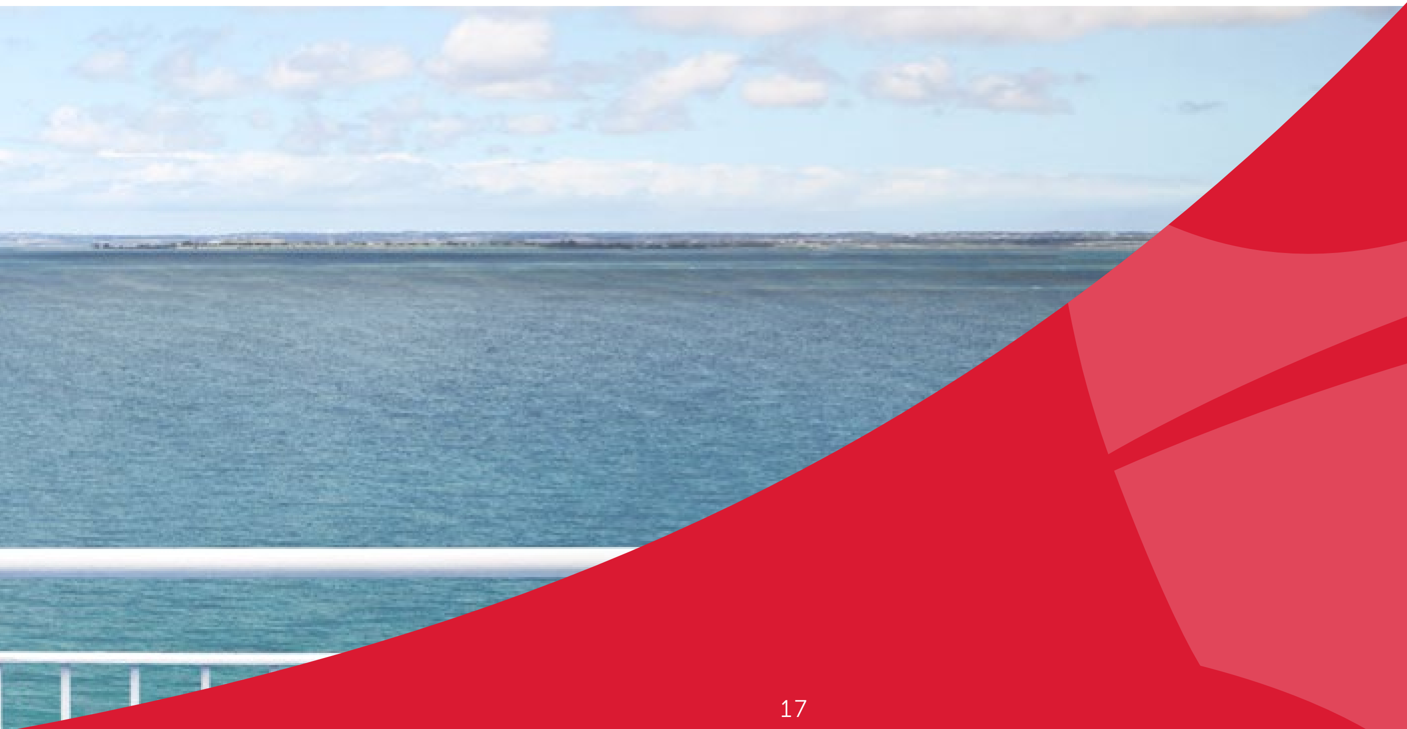
- The launch of a new ships' microsite.
- Enhanced optimization on Spirit of Tasmania's website.
- Improved email marketing with dynamic content and more targeted email communication.
- Expanded the Company's social presence on two new platforms TikTok and Reddit.
- Implemented more testing of marketing campaigns.

Significant partnership activity in 2022/23 included:

- Tasmania JackJumpers 2022/23 season.
- North Melbourne Kangaroos AFL and AFLW seasons.
- TICT - Tasmanian Tourism Awards (Major Partner), Tassie's Top Tourism Towns (Partner and judging).
- Tasmanian Young Achiever Awards (Category Sponsor and judging) – Tourism and Hospitality Award.

The association with both the Tasmania JackJumpers and the North Melbourne Football Club allowed the Company to leverage off their positive brands and raise awareness about the Company's move to Geelong and the investment in and impending arrival of new ships. In addition, the major partnerships allowed the Company to deliver unique benefits to Spirit of Tasmania's loyalty members, providing exclusive experiences, ticketing, and hospitality.

The Company organised major events for Spirit of Tasmania's final sailing from Melbourne to Devonport, the inaugural sailing of Spirit of Tasmania II into Geelong and the official opening of Spirit of Tasmania Quay in Geelong.



Freight

The Company's freight business has traditionally enjoyed strong relationships with its long-standing client base. This continued during the reporting period.

With the move to Geelong, the Company successfully introduced a spacious main freight yard with secure 24-hour access to increase operational capacity. This has provided freight clients with secure and controlled access to pick up and deliver freight units day and night to meet their individual logistical requirements. It is a major benefit for freight clients that no longer must deal with the constraints at the former Station Pier site which required freight to be collected immediately on discharge.

Importantly, following the move to Geelong, the Company has retained more than 90 per cent of our TEU volumes, and believes, in line with pre-move expectations, that the industry is adapting to the change in Victorian ports after 37 years of freight arriving from Tasmania into Station Pier at Port Melbourne.

To demonstrate this, at the end of the reporting period in May and June freight volumes exceeded budget forecasts. Also, since mid-April 2023 we have seen freight volumes return to similar demand to what we experienced at Station Pier, with the growth spread across new and old customers. This provided the Freight team with flexibility to manage volumes through to the end of week / weekend sailings to build strong volumes across the whole week.

Looking ahead, future initiatives will be focused on using the capacity of the Geelong yard to our competitive advantage by encouraging freight clients to hold / store additional volumes in the yard.

Marine Operations

Both Spirit of Tasmania vessels continued to provide a reliable service on Bass Strait during the reporting period. Our KPIs for service reliability were fully achieved, noting that there were sailings that had to be cancelled due to the Port of Devonport being closed for safety reasons from 13 to 16 October 2022 due to flooding. This closure was beyond the Company's control.

Spirit of Tasmania II's scheduled dry dock this year in Sydney was cancelled due to Royal Australian Navy requirements at Garden Island in Sydney, and Spirit of Tasmania I's dry dock last financial year was shortened, again due to Naval requirements.

Due to previous regular bi-annual dry docking of our vessels we were able to extend our vessels required out of the water docking for a further 12 months while remaining fully compliant with our Classification Society Lloyds and the Australian Maritime Safety Authority (AMSA).

Importantly we continually deploy additional resources and contractors to support our crews in maintaining them to an extremely high standard.

The Company keeps updated of industry matters through close alignment with our regulator (AMSA), our Classification Societies (Lloyds and DNV) and now through our renewed membership with Maritime Industry Australia Ltd (MIAL).

We continually engage with other industry parties, sharing information and providing our vessels as platforms for training and vessel familiarisation purposes. This year the Australian Transport Safety Bureau (ATSB) used our vessels as a training platform, the Royal Australian Navy regularly put groups of Navy Cadet's on board for familiarisation voyages and we have also carried representatives from Vessel Traffic Service (VTS) to gain knowledge of the 'shipboard' perspective.

Both Spirit of Tasmania vessels continued to provide a reliable service.

Both vessels remained fully compliant with IMO's carbon emission requirements. Our vessels designs mean they meet IMO's Energy Efficiency Index (EEXI) requirements and our Carbon Intensity Indicators for both vessels' operation are within the guidelines.

Our vessels remained in full Class, all vessel certification has been fully maintained throughout this reporting period. We remain fully compliant with International Safety Management (ISM), there were no non-conformities following this year's ISM and Document of Compliance (DOC) audit conducted by DNV.

Our move to Geelong in October 2022 presented numerous challenges. Importantly and pleasingly, vessel crews, terminal staff and management were able to navigate these challenges and this major operational change without disruption to our schedule.

Prior to relocating to Geelong, our bridge teams participated in extensive training. The Company's bridge team engaged the services of the Port Phillip Sea Pilots, Marine Consultant and Bridge resource management expert Ravi Nijjer and the AMC's simulation centre to train all Masters and Deck Officers to safely navigate the Geelong Channel in varying conditions.

Our vessels were fitted with Pilotage Precision units to provide precise and real time vessel position, a necessary navigational tool for Masters for travel through the Geelong Channel.

As an additional on-board safety resource, the Company expanded and modified the Chief Purser role to ship Safety Officer. All underwent additional training for this this key role. The Safety Officers will provide an additional resource to all crew members and work closely with management.

For the safety of our passengers, our crew and stevedores the Company continued to engage an independent contractor to inspect all refrigerated cargo units ensuring their electrical integrity, perform earth leakage checks and carry out any minor repairs to ensure safe operation during the voyage. These checks and inspections are carried out at both Geelong and Devonport during every load out.

Port Operations

During 2022/23 Terminal Services across both ports processed 450,012 passengers and 213,766 passenger vehicles through the passenger check-in process, and 106,578 TEUs through the Freight Receivables and Dispatch processes.

The stevedoring company Qube continued to successfully load the ships, utilising all space available and to suit the volumes of both freight and passenger vehicles that present every day.

Wilson Security maintained a strong presence of guards on the ground always ensuring the integrity of security services as required and at the direction of Port Operations.

The offshore screening and check-in process of Spirit of Tasmania passengers and their vehicles for Biosecurity Risk Material as part of the Geelong check-in process operated in accordance with Biosecurity Tasmania's agreed audit and training schedules.

This year the Company's offshore screening process successfully screened 107,277 passenger vehicles, 14,805 foot passengers, 10,237 dogs and 2,469 other animals.

Moving our Victorian operations from Station Pier to Geelong overnight was a challenging exercise, but it was extraordinarily successful. All operational areas had a full complement of trained staff ready to commence working in Geelong for the first arrival and departure of Spirit of Tasmania II on 23 October 2022.

Various initiatives that were introduced into the port operations, partly due to the move to Spirit of Tasmania Quay at Geelong, have now become a permanent part of everyday operations and will be extended to the new facility in Devonport in 2024.

These include:

- Individual Check-in booths that have provided a more streamlined process for passengers and given staff the ability to process passengers though lanes to suit vehicle numbers.
- Introduction of various automated features reducing power consumption, water saving and best practice environmental protection and management.
- Setting up infrastructure to include environmentally sound shore to ship power capability.
- Transition to Automatic Mooring Units for our vessels' berthing to increase efficiency and safety for stevedores and to allow passengers quicker disembarkation.
- New Terminal Tractors are set to be introduced in 2024 to coincide with new ship deliveries that will provide a safer and more efficient loading and unloading process for employees.

Devonport Berth 3

The Company has progressed with plans to relocate its Mersey River Devonport base of operations a short distance from Berth 1 East to Berth 3 East on a previously undeveloped parcel of land between SeaRoad shipping and the Mersey Yacht Club.

The new site (seven hectares) is almost double the size of our current lease (3.6 hectares), providing additional operational areas for passengers and freight customers.

Following the execution of the new lease agreement for the site in July 2022, the Tasmanian Ports Corporation (TasPorts) commenced the first stage of development works to the new terminal site, signing a contract with Tasmanian joint venture Hazell Bros Group and Brady Marine and Civil (HBJV) to complete the first stage of major works. Under this design and construct contract, the contractors will deliver a new berth pocket, wharf structure and reclamation area.

These work packages are being delivered under project QuayLink, a wider program of works for the Port of Devonport undertaken by TasPorts that will include redevelopment works to Terminals 1E and 2E continuing into 2027.

In parallel with TasPorts' work to Berth 3, Spirit of Tasmania is progressing its own design and procurement activities to commence construction of its portion of the Berth 3 project upon HBJV's completion of the new reclamation area. Spirit of Tasmania will design and construct the civil (including new hardstands for freight storage and passenger marshalling), marine infrastructure (dolphins to provide foundations for the loading gantry), ramps and building infrastructure required to service the new ships and facilitate the passenger and freight operations.

Due to the staged nature of the project, the new terminal will be required to operate while works are ongoing to other areas of the site. Wharf fender modifications will be installed to allow use of both new and current vessels until the second of the new ships is commissioned.

Further to the infrastructure planned for construction, Spirit of Tasmania has placed orders with Cavotec, a world leading port technology company, to supply state of the art technology for the new terminal including:

- A Shore Power system that will allow the new vessels to be connected to grid electricity while in port, reducing fuel consumption and carbon emissions.

Victorian port relocation

Spirit of Tasmania officially commenced operations at Spirit of Tasmania Quay, Geelong on schedule on 23 October 2022, relocating from Station Pier at Port Melbourne where the Company had been based for 37 years.

The new purpose-built terminal, inspired by Tasmania's natural landscapes, features a passenger vehicle marshalling area for 600 cars and caravans, more efficient passenger vehicle check-in, security facilities, public amenities, cafe, children's play area and a pet exercise area.

The new 12-hectare site includes 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 has enabled cargo pick up and drop off at any time, day, or night.

A key element of the berth is the three-level loading ramp. This impressive facility is a world-first and has been specifically designed to suit the current ships and the new larger ships currently under construction in Finland.

The innovative design of the ramp has dramatically improved the efficiency of our boarding and disembarkation processes, reducing the waiting time for passengers and freight clients.

A Geelong company, Thornton Engineering, created most of the foundations and all the complex steel structures for the new ramp. The gantry legs and trusses were fabricated in Corio using 250 tonnes of steel.

In addition to the loading ramp, innovative marine technology has also been introduced using Automatic Mooring Units (AMU). These units present suction pads to the vessel's sides that hold them safely alongside. These units are controlled from the ship's bridge and reduce/eliminate the need for mooring ropes, providing a valuable time saver for vessel turnaround.

Pleasingly, Spirit of Tasmania has been warmly welcomed by the Geelong community and tourism associations, businesses, and operators.

Customer Contact Centre

The Customer Contact Centre (CCC) team, located at the head office in Devonport, comprises people with significant local knowledge and many continued years of service.

Team members manage inbound call enquiries, emails, Messenger enquiries, respond to website notifications when required and engage with our customers via outbound dialling when necessary.

The CCC received more than 103,000 calls during this financial year resulting in more than 15,400 bookings and more than 38,000 amendments.

In addition, the team managed 20,000 emails and more than 1,100 Messenger enquiries.

Customer Satisfaction Surveys indicate that the CCC retained an average rating of more than 94 per cent satisfaction throughout the year.

Our commitment to service is well supported by our ongoing training program, which remains a key activity within the CCC.

The CCC has in place a Quality Assessment review process under which calls are reviewed and assessed against a quality framework. With a focus on continuous improvement, this process itself underwent a review this year. The outcomes have provided the team with improved feedback mechanisms ensuring that we support team members to achieve improvement and overall success.

With schedule changes occurring more frequently in this reporting period than previous years, and with the announcement of Geelong sailings, the CCC team was pivotal in ensuring passengers received timely updates via SMS, email, and updated e-tickets. Impressively, e-ticket updates for Geelong sailings that the Company anticipated could take up to seven days to complete were finalised within just two days. This was achieved while dealing with normal incoming contact from passengers.

The suspension of port operations in Devonport during the reporting period in October 2022 because of a flooding event required significant adjustments to sailing schedules, development of passenger communication strategies and rebooking of approximately 5,000 passengers.

In August 2023 the CCC team finalised updating its telephony system. The new platform is a fully configurable, industry-optimised agent desktop interface, which provides a single browser-based application that enables agents to interact with customers using voice and email conversations consecutively.

The customer experience is enhanced, as the consultants are provided with previous interaction records when commencing every customer conversation. Additionally, the upgrade provides enhanced call quality evaluation features, supporting the Company to maintain a high-performance culture within our CCC.

Subject matter experts facilitated group focus sessions. The new telephony platform features provide the opportunity to review key performance indicators which will drive efficiencies within the daily operation.

During the year because of a CCC team initiative, specific booking requests were moved online. Bookings with a travel date greater than 72 hours were able to submit a request for assistance via a new online form allowing greater booking flexibility for passengers to book at their convenience. Requests where travel was inside 72 hours continue to be directed to the CCC team to ensure essential information is not missed prior to travel.

More than 600 requests were received from passengers seeking specific need/assistance. On receipt of the submission an autoreply presented to screen advising that a team member will be in contact within 48 hours. This initiative was introduced in October 2022.

In March 2023 greater flexibility was provided to any new group bookings with 20 or more vehicles to book as a Special Event. This allows participants the flexibility to manage their own booking online and to travel on dates that suit their travel needs best.

Spirit of Tasmania has a Compassionate Grounds Policy that outlines the way assistance can be provided in circumstances were travel is impacted by unforeseen medical situations. Throughout the year there were 410 requests for assistance actioned. Spirit of Tasmania continued to recognise the impact of COVID-19 on travel plans and a further 65 requests were actioned in line with this assistance.

With continued demand for high vehicle space, as well demand across key travel dates, the CCC team, working with Passenger Sales and our Freight team, were able to clear more than 8,600 waitlist bookings, an increase of almost 5,000 on the previous year.

Passenger Sales

The focus for the Passenger Sales team this reporting period was ensuring the Company's sailing schedule was up to date and reflective of our move to Geelong, port closures and sailing adjustments that reflected increased travel demand post borders reopening.

Any changes that were required to our schedule needed efficient handling by our teams to ensure passenger impact was minimised and managed and that communication was timely.

Our Passenger Sales team is responsible for ensuring inventory optimisation across both our accommodation and vehicle decks.

With an increase in demand for travel, for vehicles with height of more than 2.1-metres, the focus on managing our vehicle deck inventory was paramount.

Spirit of Tasmania continues to encourage passengers to book travel on a return basis and as far in advance as possible. In line with this, an initiative was developed to enhance the booking platform to further encourage return travel.

The team has also commenced system updates in line with the commencement of the new vessels and will continue to facilitate developments across our booking platforms to ensure passengers have seamless access to new inventory.

The Passenger Sales team is responsible for administration support for our Loyalty Members. Throughout the year our team responded to more than 800 emails. The team also manage discounted industry travel requests, processing 119 bookings across the year.

With a focus on ensuring an optimal booking process and experience for our passengers, the Passenger Sales team delivered the following initiatives during the year:

- Improved the confirmation process as part of the resend itinerary feature.
- Improved booking flow for one-way bookings with a vehicle to encourage return booking, to manage expectations around availability.
- Streamline the process for Loyalty member updates, removing the need for third person and allowing the team to handle enquiries at the time of enquiry. Since this initiative has gone live, 393 of these have been actioned.
- Improved process passenger refunds.
- As a result of the Port of Devonport closure in October, improvements when sailings adjustments were required to ensure passengers had real time access to manage their bookings online.

Information Services

The Information Services (IS) team played a significant role in enabling critical projects, supporting infrastructure development, and enhancing cyber security capabilities during the reporting period.

The team's work also supported improvements in customer experience and operational excellence across the Company.

A major accomplishment was the team's contribution to the successful build and commissioning of the new Geelong Terminal, which, as covered elsewhere in the Annual Report, was open and operational on schedule.

The team collaborated with various departments to design and implement integrated IT infrastructure that supports the seamless operation of the terminal.

This included deploying network architecture, state-of-the-art CCTV and security systems, cloud-based telephony communications and efficient passenger and freight management solutions.

The IS team also contributed significantly to the initial stages of design and construction of the two new vessels' technology and communication infrastructure, and the development of Berth 3 and future new Devonport terminal.

The IS team will continue to work on these critical strategic projects into the next financial year.

In response to the evolving landscape of cyber threats, the IS team undertook a comprehensive piece of work to enhance the Company's cyber security capabilities and maturity.

During the year, the Company increased dedicated cyber security resourcing and increased its engagement with the Australian Cyber Security Centre (ACSC).

By elevating our cyber security posture, the IS team ensured the protection of sensitive data, business continuity and customer trust.

As the Company moves forward, the IS team will continue to play a key role in driving technological advancements and ensuring a secure digital landscape.

Conclusion

The Company has completed a significant amount of work during the reporting period to set it up for the arrival of new ships in the 2024 calendar year and new port infrastructure on both sides of Bass Strait.

As noted previously, Spirit of Tasmania has successfully relocated its Victorian operations from Station Pier at Port Melbourne to Geelong, and while the move along the Mersey River from our current Devonport location to the new proposed site is only a short distance, it is no less significant.

When you combine this activity with the arrival of the new Spirit of Tasmania IV and V vessels in the 2024 calendar year, there are exciting times ahead for the Company.

In closing my 2022/23 Annual Report message, I would like to thank our staff and crew for their collective work through the reporting period. They have significantly contributed to the financial and operational results covered in this report.

I would also like to thank the Chairman and all Board Directors for their oversight of our business and their direction, and all members of the leadership team for a superb job.

Bernard Dwyer
Chief Executive Officer and Managing Director

Public interest disclosure

PUBLIC INTEREST DISCLOSURE ACT

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

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

RIGHT TO INFORMATION ACT

The Company is subject to the *Right to Information Act 2009 (Tas)* (the RTI Act) and is committed to complying with its obligations under the Act. Details about the RTI Act and the Company's obligations under it are available on the Company's website or by contacting the

Right to Information Officer,
TT-Line Company Pty Ltd
PO Box 168E,
East Devonport TAS 7310.

During 2022-23, one formal application for assessed disclosure was received and assessed by the Company.

PERSONAL INFORMATION PROTECTION ACT

The Company is subject to the *Personal Information Protection Act 2004 (Tas)* which prescribes personal information protection principles for Tasmania.

During 2022-23, there were no complaints received under this regime.

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.

	Target 2022–2023	Actual 2022–2023	Actual 2021–2022
Financial			
Earnings before Interest, Tax, Vessel Revaluation, Depreciation and Amortisation $'000	51,972	48,025	31,549
Net cash flow from operating activities $'000	26,206	56,375	41,841
Return on Assets	3.7%	4.1%	1.0%
Return on Equity	(0.3%)	1.9%	(4.0%)
Non-financial			
Voyages	851	896	829
Lost time injuries	0	22	11
Safety Marine KPIs (#)	0	3	6
Customer satisfaction (#/100)	93	93	94

Explanation of the numbers statement[1]

	2023 ($'000)	2022 ($'000)
Revenue from operations[2]		
Spirit of Tasmania	304,583	238,831
Other revenue	910	1,562
	305,493	240,393
Expenses from operations[2]		
Spirit of Tasmania	(256,350)	(207,725)
Other expenses	(1,118)	(1,119)
	(257,468)	(208,844)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	48,025	31,549
Depreciation and amortisation		
Spirit of Tasmania	(27,802)	(24,569)
Other	(98)	(95)
	(27,900)	(24,664)
Earnings before interest and tax (EBIT)	20,125	6,885
Interest expense	(16,009)	(3,121)
Interest income and foreign currency gains	1,793	461
Underlying profit	5,909	4,225
Represented as follows;		
Spirit of Tasmania	6,215	3,877
Other	(306)	348
Underlying profit	5,909	4,225
Reconciliation to audited profit for the period		
Underlying profit	5,909	4,225
Accounting adjustments		
Revaluation of asset adjustment	6,351	(24,257)
Taxation (expense)/benefit	(3,691)	6,005
Profit for the period – audited	**8,569**	**(14,027)**

[1] Explanation of the numbers statement is unaudited

[2] Includes revenue and expenses from Edgewater internal operations


OF TASMANIA

Remuneration report

Remuneration Framework

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. 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.

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.

It is up to the Board to ultimately determine whether the Company will operate a performance incentive payment scheme. If a performance incentive payment scheme is considered appropriate, the Board is ultimately responsible for the setting of performance based targets and is accountable for monitoring performance against the targets.

Short-term incentive payments are those that are dependent on achieving specified performance goals within specified timeframes. These payments are non-recurrent and are capped at a percentage of base salary that is approved by the Board, this was 15% for the 2022/23 financial year.

The CEO and executive-level employees are eligible for a short-term incentive payment subject to meeting agreed key performance indicators. These indicators are set by the Board and are aligned to the Company's strategic objectives and business performance results across a mix of corporate and individual measures. Annual performance reviews are conducted for the CEO and executive-level employees where performance is assessed against the agreed criteria.

	Incentive Payments Measures	**Weighting**
1.	Company must meet its overall KPI's to the satisfaction of the Board that triggers STI availability	20%
2.	Executive employee's area must meet the majority of its subset of KPI's covering Financial, Project, Human Resource and Initiative deliverables	30%
3.	Executive employees must have developed their own team and ensure this has contributed to the growth of TT-Line; and	30%
4.	Executive employees must have contributed to their colleague's growth on the Executive and to the overall culture of the Company	20%

Further information on our performance against Key Performance Measures can be found in the Performance Against the Statement of Corporate Intent on page 31.

In addition to the corporate targets, each executive is evaluated on their attainment against individual targets. The individual targets are closely linked to the overall group targets, however, with the ability to tailor based on the individual role accountabilities and influence.

Summary of executive individual goals

Name	Position	Corporate Targets
Mr Dean Collett	Chief Information Officer	Targets linked to the corporate targets in particular a focus on cost savings, delivery approved IS projects, ensuring risk mitigation strategies are achieved and contribution to the strategic direction of the Company
Mr N Harriman	General Manager Retail and Hospitality	Targets linked to the corporate targets in particular a focus on cost savings, crew management to ensure safe manning levels and contribution to the strategic direction of the Company
Ms K Holandsjo	General Manager Passenger Sales	Targets linked to the corporate targets in particular a focus on cost savings and maximising passenger revenue, aligning activity to passenger demand and travel restrictions and contribution to the strategic direction of the Company
Ms A Johnson	General Manager Port Operations	Targets linked to the corporate targets in particular a focus on cost savings, management of operations to comply with all COVID-19 requirements and contribution to the strategic direction of the Company
Mr J McGrath	General Manager Human Resources	Targets linked to the corporate targets in particular a focus on cost savings, project funding, delivery of strategic businesses cases and contribution to the strategic direction of the Company
Mr R Hall	General Manager Marine Operations	Targets linked to the corporate targets in particular a focus on cost savings without compromising safety, crew management to ensure safe manning levels and contribution to the strategic direction of the Company
Ms E Panos	General Manager Marketing	Targets linked to the corporate targets in particular a focus on cost savings, management of marketing activity to reflect travel restrictions imposed as a result of COVID-19 and contribution to the strategic direction of the Company
Ms K Sayers	Chief Financial Officer	Targets linked to the corporate targets in particular a focus on cost savings, management of insurance portfolio and contribution to the strategic direction of the Company
Mr Ian Whitechurch	General Manager Freight Sales	Targets linked to the corporate targets in particular a focus on cost savings, maximising freight revenue and contribution to the strategic direction of the Company

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 2023.

Other information report

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)	2023
Value of purchases from Tasmanian businesses ($'000)	61,464
Percentage of purchases from Tasmanian businesses	19%

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

Consultant	Location	Description	Engagement	2023 ($'000)
Brand Architects	Victoria	Port infrastructure consultancy and design	Adhoc	231
Corporate Communications	Tasmania	Public relations advice	Monthly Retainer	62
Donoughmore	Victoria	Risk Management	Adhoc	73
Edge Legal Integrated Workplace Specialists	Victoria	Employment related advice	Adhoc & Monthly Retainer	64
Ellis King	Victoria	Specialised recruitment	Adhoc	124
Figura	Sweden	Interior design – new ship build	Adhoc	189
Foreship	Finland	Engineering design – new ship build	Adhoc	467
Halliday's Business Insights Pty Ltd	Victoria	Employee training and support	Adhoc	57
HFW Australia	Victoria	Legal services	Adhoc	2,080
KPMG	Tasmania	Internal audit/specialised technical advice	Annual engagement	208
Pivot Marine International Pty Ltd	Tasmania	Simulation Services – new ship build	Adhoc	52
P & M Consultants	Victoria	Port infrastructure engineering consulting	Adhoc	2,303
			Total	5,910
		12 other consultants were engaged, each for $50,000 or less, totalling		646
			Total cost of consultants	**6,556**

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	2023	2022
Creditor days	22	15

Accounts due or paid within the year	Number of invoices	$'000
Invoices due for payment (including GST)	22,413	1,019,767
Invoices paid on time (including GST)	17,931	955,848
Payments for interest or fees on overdue invoices	1	–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Corporate governance

While TT-Line Company Pty Ltd (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 its shareholder, including through annual reports and annual business plans
- reviewing and monitoring risk management, and internal compliance and controls, with the guidance of the Audit and Risk Committee
- reviewing and monitoring compliance with all regulatory requirements and standards, including environmental, health and safety obligations
- reviewing and approving all major company policies
- overseeing the operation and performance of all Board committees.

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

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

The committees, as at the reporting date, were:

- Audit and Risk – responsible for 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.

TT-Line Board

Committees	Audit and Risk Committee	Remuneration Committee	Director Nomination Committee	Vessel Replacement and Procurement Committee
Scope	Financial reporting, regulatory obligations, internal and external audit and risk management framework.	Remuneration policies and practices.	Board renewal and committee membership.	Vessel replacement and procurement.
Members	Y Rundle (Chair) D Bugg H Galloway M Grainger	Y Rundle (Chair) M Grainger D Bugg	M Grainger (Chair) Capt. R Burgess B Dwyer Y Rundle H Galloway D Bugg A McMahon	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 shareholder Minister: the Tasmanian Government's Deputy Premier, Treasurer and the Minister for Infrastructure and Transport. Directors are appointed according to the Guidelines for Tasmanian Government Businesses – Board Appointments January 2016.

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 shareholder appoints the Chairman of the Board at the Annual General Meeting (AGM).

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

As a State Owned Company, the Board is obliged to ensure that the Company performs in accordance with the expectations of its shareholder. The Board has established formal and objective appraisal mechanisms which provide for regular evaluation of the performance of the board, its committees, each director and key executives including a regular review of the Board's performance by an external consultant.

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 45 per cent of the Company's employees were female and 55 per cent were male.

4 Safeguard integrity in corporate reporting

The Board has established an Audit and Risk 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 and Risk Committee meetings from time to time.

5 Make timely and balanced disclosure

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

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

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

7 Recognise and manage risk

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

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

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

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

- *ISO 31000 – Risk Management (international standard)*
- *AS 3806 (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. The Company supports the Tasmanian community through its Flavours of Tassie program, which allows local producers to showcase their products. It sponsors the Tourism Industry Council Tasmania, the JackJumpers National Basketball League Club and the North Melbourne Football Club's Australian Football League (both AFL and AFLW teams) games played in Hobart.

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

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

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

8 Remunerate fairly and responsibly

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

The Committee approves market-based movements in remuneration as part of the annual remuneration review for the senior executive team. 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 Tasmanian Government Director and Executive Remuneration, revised 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.

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 CROSSING 1 SEPT 2002

OVERALL LENGTH 194.33M

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

GROSS TONNAGE 29,338

DEAD WEIGHT 5,651T

CAPACITY

1400 | 121 | 222 | 500

- 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

DISTANCE FROM GEELONG TO DEVONPORT
450KM
243 NAUTICAL MILES

CROSSING TIME (HRS)
9-11

AVERAGE SPEED IN KNOTS 27
EQUALS 50 KM/HR

ANNUAL FINANCIAL REPORT

TT-LINE COMPANY PTY LTD
FOR THE YEAR ENDED
30 JUNE 2023

SPIRIT of TASMANIA

CONTENTS

DIRECTORS' REPORT

The Directors of TT-Line submit the annual financial report of the Company for the financial year ended 30 June 2023. 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 and the Director Nomination Committee, and a member of the Audit and Risk Committee and the Remuneration Committee. Mr Grainger is the Managing Director of Liferaft Systems Australia Pty Ltd, and a member of the Det Norske Veritas International Ferry Committee. *(Appointed May 2005, reappointed November 2022 and current term expires November 2024.)*
Mr Damian Bugg	Mr Bugg joined the Board in July 2019 as an independent non-executive Director and is a member of the Audit and Risk Committee, the Remuneration Committee, the Director Nomination Committee, and the Vessel Replacement and Procurement Committee. He is also a Director of Blundstone Australia Pty Ltd, Chairman of the Board of University of Tasmania Foundation Inc. and a member of the University of Tasmania's Foundation Committee. *(Appointed July 2019, reappointed November 2022 and current term expires November 2025.)*
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 Director Nomination Committee and the Vessel Replacement and Procurement Committee. *(Appointed November 2016, reappointed November 2022 and current term expires November 2024.)*
Ms Helen Galloway	Ms Galloway joined the Board in November 2016 as an independent non-executive Director and a member of the Audit and Risk Committee and the Director Nomination Committee. She is Chair of Bank of Us and a non-executive Director of Hydro Tasmania. In these roles, she serves on various committees in different capacities including as Chair of Audit, Chair of Human Resources & Remuneration, and member of the Risk Committee. *(Appointed November 2016, reappointed November 2022 and current term expires November 2024.)*
Ms Anna McMahon	Ms McMahon joined the Board in November 2021 as an independent non-executive Director and a member of the Director Nomination Committee. She is currently Director of communications consultancy McMahon Media and has previously worked as a communications expert with Brand Tasmania. *(Appointed November 2021, and current term expires November 2024.)*
Ms Yvonne Rundle	Ms Rundle joined the Board in December 2020 as an independent non-executive Director and was appointed Chairperson of the Audit and Risk Committee and the Remuneration Committee in February 2021. She is 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 Committee of Aurora Energy Pty Ltd, Metro Tasmania Pty Ltd and TasTAFE. Ms Rundle is also a non-executive Director of Metro Coaches (Tas) Pty Ltd, University of Tasmania Foundation Inc. and a small number of other private companies, and is Chair of the Audit and Risk Committee for the Tasmanian Department of Health. *(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, he was appointed CEO of the Company and is now an Executive Director. Mr Dwyer attends all committee meetings and is a member of the Director Nomination Committee and the Vessel Replacement and Procurement Committee. He is a Director of the Tourism Industry Council Tasmania, as well as a member of the Interferry Board and 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 2023.

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 $307.1 million (2022: $240.8 million) and a profit after tax for the year ended 30 June 2023 of $8.6 million (2022: $14.0 million loss after tax). The Company's performance continued to rebound strongly after the impacts of COVID-19 restrictions. Major strategic projects of vessel replacement and port infrastructure developments progressed, with the Victorian operations successfully relocated from Station Pier, Port Melbourne to Corio Quay, Geelong.

In the 2022/23 financial year, the Company continued its progress towards its updated strategic plan. The plan includes objectives to:

- operate safely and reliably
- continue implementing the project to replace current vessels, to be operational by mid- to late 2024
- continue planning and design to align shoreside infrastructure 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 increased by 73 over the prior year, to 896 (2022: 823).

During the financial year, a record number of 450,012 passengers (2022: 284,323) travelled with the Company.

A significant improvement in freight volume is constrained as the vessels operate at capacity for the majority of high-demand periods. Further to this, as passengers returned to travel with the lifting of COVID-19 travel restrictions, the space for freight contracted due to space limitations.

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 €53.5 million each at 30 June 2023. This value is a slight reduction from previous years, which reflects the age of the vessels and the impact of COVID-19 on the current ferry resale market.

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 Organization's global cap on sulphur emissions.

While recognising the above, the vessels are depreciating assets and their value can normally be expected to decrease each year.

Subsequent events

In July 2023 the Company signed an agreement for the sale of the Edgewater Hotel. In the opinion of the Directors, there are no other items, transactions or events of a material or unusual nature that have arisen between the end of the 2022/23 financial year and the date of this report that could significantly affect the operations of the Company, the results of its operations or the state of its affairs in future financial years.

Future developments

In April 2021, the Company signed contracts with Finnish shipbuilder Rauma Marine Constructions (RMC) for two new ship builds, to be delivered in quarter one and quarter four of 2024, respectively. These contracts contain provisions to include up to $100 million of Tasmanian and Australian content in the new builds.

Construction is well underway on the first vessel, and the keel-laying ceremony for the second vessel occurred in May 2023.

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 this reporting period.

Dividends

No dividends have been paid or declared since the start of the 2022/23 financial year. It was resolved that no dividend be declared in respect of the 2022/23 financial year due to the financial performance of the Company, future working capital requirements, and capital expenditure projects including new vessels and port infrastructure.

Indemnity and insurance for officers and auditors

The Company has insured its Directors, company secretary and executive officers against liabilities, as permitted by the *Corporations Act 2001*. The insurance contract prohibits disclosure of the nature of the liability and the amount of the premium.

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

International travel

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

The majority of international travel undertaken during the year was attributable to the new vessel build project.

International travel in the year ended 30 June 2023

Position	Number of trips	Cost of travel $'000
Directors	1	14
CEO	8	112
Company representatives	88	1,023

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 this 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, five Audit and Risk Committee meetings, four Remuneration Committee meetings, two Director Nomination Committee meetings and three Vessel Replacement and Procurement Committee meetings.

	Board		Audit and Risk Committee		Remuneration Committee		Vessel Replacement and Procurement Committee		Director Nomination Committee	
Director	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held [1]
Mr M Grainger	11	11	5	5	4	4	3	3	2	2
Mr D Bugg	10	11	5	5	4	4	3	3	1	2
Capt R Burgess	11	11	–	–	–	–	3	3	1	2
Ms H Galloway	10	11	5	5	–	–	–	–	1	2
Ms A McMahon	11	11	–	–	–	–	–	–	2	2
Ms Y Rundle	11	11	5	5	4	4	–	–	2	2
Mr B Dwyer[2]	10	11	–	–	–	–	3	3	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, Chairman

Y Rundle, Audit Chair

Hobart, 11 August 2023

AUDITOR'S INDEPENDENCE DECLARATION

Tasmanian Audit Office

Level 2, 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

11 August 2023

The Board of Directors
TT-Line Company Pty Ltd
Esplanade
EAST 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 2023, 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

Stephen Morrison
Assistant Auditor-General
Delegate of the Auditor-General

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Members of TT-Line Company Pty Ltd

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of TT-Line Company Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2023 and statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

(a) giving a true and fair view of the Company's financial position as at 30 June 2023 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 11 August 2023 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 and depreciation expense of vessels ***Refer to notes A2 and B3.***	
Property, plant and equipment included vessels totalling $174.56 million recognised at fair value. The fair value of vessels is valued based on independent market valuations performed by independent valuation experts. The calculation of fair values is judgemental and highly dependent on a range of assumptions and estimates. The fair value is impacted by market factors and foreign currency exchange rates. Fluctuations in vessel valuations can have a significant impact on TT-Line's results and financial position. Depreciation expense for the vessels totalled $5.96 million. The calculation of vessel depreciation requires estimation of asset useful lives, which involves a high degree of subjectivity. Changes in assumptions can significantly impact depreciation charged.	• Assessing the expertise and independence of experts engaged by management to value the vessels. • Evaluating management's assessment of the valuations provided by the experts. • Evaluating the appropriateness of the valuation methodology applied to determine fair values. • Examining the treatment of capital and maintenance expenditures, and considering their impact on the vessels' valuation. • Evaluating management's assessment of the useful lives of the vessels. • Performing analytical procedures on depreciation expense. • Evaluating the adequacy and completeness of disclosures in the financial statements in accordance with the relevant Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' Report for the year ended 30 June 2023, 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

INDEPENDENT AUDITOR'S REPORT

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.

Stephen Morrison
Assistant Auditor-General
Delegate of the Auditor-General
Tasmanian Audit Office

14 August 2023
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 13 to 60 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 2023 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 specified in section 295A of the Corporations Act from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2023.

3. The Directors draw attention to page 18 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, Chairman

____

Y Rundle, Audit Chair

Directors

Hobart, 11 August 2023

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
REVENUE			
Operating revenue	A1	302,208	238,274
Investment revenue	A1	1,793	461
Other revenue	A1	3,036	2,059
Other gains/(losses)	A1	44	11
Total revenue		**307,081**	**240,805**
EXPENSES			
Employee benefit expenses	A2	(72,204)	(63,571)
Other expenses	A2	(212,958)	(169,888)
Finance costs	A2	(16,009)	(3,121)
Asset revaluation	B3	6,350	(24,257)
Total expenses		**(294,821)**	**(260,837)**
PROFIT/(LOSS) BEFORE TAX		**12,260**	**(20,032)**
Tax-equivalent benefit/(expense)	A3	(3,691)	6,005
PROFIT/(LOSS) FOR THE YEAR		**8,569**	**(14,027)**

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

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
(LOSS)/PROFIT FOR THE YEAR		**8,569**	**(14,027)**
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)	C4	571	1,387
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	(171)	(416)
Items that may be reclassified subsequently to profit or loss			
Cashflow hedging reserve gains/(losses)	D4	12,681	(19,166)
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	(3,804)	5,750
Total other comprehensive income/(expense) for the year, net of tax		**9,277**	**(12,445)**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**17,846**	**(26,472)**

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

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

	Note	2023 $'000	2022 $'000
CURRENT ASSETS			
Cash and cash equivalents	B1	77,222	114,328
Investments	B1	–	20,000
Trade and other receivables	B2	19,128	21,041
Inventories	B8	4,148	4,644
Income tax receivable		2,098	1,042
Assets held for sale	B6	3,444	–
Financial assets	B2	9,607	9,362
Other assets	B2	6,051	2,083
TOTAL CURRENT ASSETS		**121,698**	**172,500**
NON-CURRENT ASSETS			
Property, plant and equipment	B3	659,373	326,980
Right-of-use assets	B4	336,380	39,014
Intangibles	B5	515	75
Deferred tax asset (net of deferred tax liability)	A3	–	1,690
Financial assets	B2	1,240	–
TOTAL NON-CURRENT ASSETS		**997,508**	**367,759**
TOTAL ASSETS		**1,119,206**	**540,259**
CURRENT LIABILITIES			
Trade and other payables	B9	17,464	14,164
Contract liabilities	B12	40,772	33,389
Lease liability	B10	27,960	10,959
Borrowings	D2	3,575	–
Employee provisions	C1	17,869	17,560
Other provisions	B11	8,900	8,284
Financial liabilities	B9	5,731	10,755
Other liabilities	B9	141	138
TOTAL CURRENT LIABILITIES		**122,412**	**95,249**
NON-CURRENT LIABILITIES			
Deferred tax liability (net of deferred tax asset)	A3	6,079	–
Lease liability	B10	321,337	28,511
Borrowings	D2	200,000	–
Employee provisions	C1	6,817	7,258
Other provisions	B11	637	604
Financial liabilities	B9	11	6,182
Other liabilities	B9	23	–
TOTAL NON-CURRENT LIABILITIES		**534,904**	**42,555**
TOTAL LIABILITIES		**657,316**	**137,804**
NET ASSETS		**461,890**	**402,455**
EQUITY			
Share capital	D1	328,981	328,981
Contributed equity	D1	191,602	150,013
Cashflow hedging reserve	D4	3,575	(5,302)
Accumulated losses		(62,268)	(71,237)
TOTAL EQUITY		**461,890**	**402,455**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Note	Share capital Contributed equity $'000	Issued capital $'000	Cashflow hedging reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2021		**128,332**	**328,981**	**8,114**	**(58,181)**	**407,246**
Profit/(loss) for the year		–	–	–	(14,027)	**(14,027)**
Other comprehensive income/(expense) for the year	D4	–	–	(13,416)	971	**(12,445)**
Total comprehensive income/(expense) for the year		–	–	**(13,416)**	**(13,056)**	**(26,472)**
Payment of dividends		–	–	–	–	**–**
Net equity contribution received/(returned)	D1	21,681	–	–	–	**21,681**
Balance at 30 June 2022		**150,013**	**328,981**	**(5,302)**	**(71,237)**	**402,455**
Profit/(loss) for the year		–	–	–	8,569	**8,569**
Other comprehensive income/(expense) for the year	D4	–	–	8,877	400	**9,277**
Total comprehensive income/(expense) for the year		–	–	**8,877**	**8,969**	**17,846**
Payment of dividends		–	–	–	–	–
Net equity contribution received/(returned)	D1	41,589	–	–	–	**41,589**
Balance at 30 June 2023		**191,602**	**328,981**	**3,575**	**(62,268)**	**461,890**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations (including GST)		370,918	293,354
Interest and foreign currency gains received		1,837	381
Cash payments in the course of operations (including GST)		(314,219)	(251,601)
Interest paid		(1,207)	(293)
Income tax paid		(954)	–
Net cash from/(used by) operating activities	A4	**56,375**	**41,841**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		143	87
Payments for property, plant and equipment, and major cyclical maintenance		(338,226)	(30,954)
Net cash from/(used by) investing activities		**(338,083)**	**(30,867)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net equity contribution received/(returned)		41,589	21,680
Proceeds of borrowings		203,575	–
Investments		20,000	10,000
Repayment of lease liabilities	A4	(20,562)	(8,797)
Net cash from/(used by) financing activities		**244,602**	**22,883**
Net (decrease)/increase in cash held		(37,106)	33,857
Cash and cash equivalents at the beginning of the financial year		114,328	80,471
Cash and cash equivalents at the end of the financial year		**77,222**	**114,328**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

General information

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

No. 1 Berth, Esplanade

East Devonport Tasmania 7310

Telephone: (03) 6419 9000

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 they comply with other legal requirements.

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). The Company has elected not to be an early adopter of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS *S2 Climate-related Disclosures* as these standards do not currently have an AASB equivalent.

The Directors authorised the financial statements for issue on 11 August 2023.

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 noted otherwise.

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 this instrument, amounts in the financial report are rounded to the nearest thousand dollars unless indicated otherwise.

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 appropriate. 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 or 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
C4	Post-employment benefits
D4/D5	Fair value measurement of financial instruments
B11	Other provisions (including provision for restoration)

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's strategy is reflected in its financial performance and position

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

In October 2022, the Company successfully relocated its Victorian operations from Station Pier, Port Melbourne to Corio Quay, Geelong.

Events after the reporting date

In July 2023 the Company signed an agreement for the sale of Edgewater Hotel.

A – Financial performance

This section provides further information with respect to the financial performance of the Company for the year ended 30 June 2023. The focus is on revenue, expenses and cashflow disclosures. Certain operational expenses, such as impairments, are disclosed in the notes, with the associated operating asset or liability disclosed 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	2023 $'000	2022 $'000
Revenue from the provision of passenger services	184,809	118,546
Revenue from the provision of freight services	104,034	111,494
Revenue from the sale of goods on board (including food and beverages)	12,369	6,611
Revenue from the provision of hotel services (including accommodation, food and beverages)	723	1,527
Revenue from rental agreements and gaming	273	96
Operating revenue	**302,208**	**238,274**
Investment revenue and foreign currency gains[1]	**1,793**	**461**
Other revenue[2]	**3,036**	**2,059**
Other gains/(losses)[3]	**44**	**11**
Total operating revenue	**307,081**	**240,805**

1. Interest income and gains on foreign currency instruments.

2. Insurance recoveries in both the current and prior year, and wage subsidy in the prior year only.

3. Gain/(loss) on disposal of property, plant and equipment. No other gains or losses were incurred with respect to loans and receivables or held-to-maturity investments.

Recognition and measurement

Revenue from providing 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 B12 'Contract liabilities'.

Payment terms depend on the customer contract. Bookings are either paid at the time of booking (85 per cent of bookings were paid at the time of booking compared to 79 per cent last year) or in arrears and recognised as a receivable in the statement of financial position. See B2 'Receivables, and financial 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.

The current reporting period is the first year since 2018/19 to not be impacted by travel restrictions related to the COVID-19 pandemic. As a result, services have been able to return to normal volumes and service allocation, with passenger numbers increasing by 58 per cent compared to the prior year. The impact of the increase in passenger numbers was offset by an 8 per cent decrease in freight volumes.

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.

On-board food and beverage services recorded the first full year of trading since 2018/19. The first half of the prior year experienced ongoing travel restrictions, which impacted both passenger volumes and trading availability. With the removal of all travel restrictions, the current-year revenue increased by 87 per cent.

Revenue from providing 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 statement of financial position. See B2 ‘Receivables, and financial 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.

Revenue from rental agreements and gaming

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

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

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

Investment revenue

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

Other revenue and wage subsidy

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.

	2023	2022
Employee benefit expenses	**$’000**	**$’000**
Defined contribution plans	7,590	6,669
Defined benefit plans	117	158
Termination benefits[1]	1,319	815
Other employee benefits	63,178	55,929
Total employee benefit expenses	**72,204**	**63,571**

	2023	2022
Other expenses	**$’000**	**$’000**
Depreciation	26,488	23,562
Amortisation[2]	1,412	1,102
Terminal operations	46,090	50,849
Administration	25,037	17,196
Security	4,813	4,167
Food and beverages	4,559	2,532
Consumables	6,741	4,898
Repairs and maintenance	12,098	10,522
Marine fuel and oil	70,416	44,753
Customer acquisition	15,304	10,307
Total other expenses	**212,958**	**169,888**

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

2. Leasehold improvements and intangibles.

Finance costs	Note	2023 $'000	2022 $'000
Interest cost – defined benefit superannuation plan	C4	382	271
Interest cost – leases		13,896	2,294
Interest cost – other provisions		78	556
Interest cost – borrowings		1,628	–
Interest cost – operating		25	–
Total finance costs		**16,009**	**3,121**

Recognition and measurement

Employee benefit expenses

Refer to notes C1 'Employee provisions' and C4 'Post-employment benefits' for employee benefits accounting policies.

Depreciation and amortisation

Refer to notes B3 'Property, plant and equipment' and B5 'Intangible assets – software' for depreciation and amortisation accounting policies, respectively.

A3 Taxation

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

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

Tax-equivalent expense	2023 $'000	2022 $'000
Origination and reversal of temporary differences:		
(Decrease)/increase in deferred tax liability	15,004	(3,867)
(Increase)/decrease in deferred tax asset	(11,313)	(2,828)
Increase in provision for income tax (receivable)/payable	–	689
Increase in prior-year income tax expense (30 June 2022)	–	1
Total tax-equivalent (benefit)/expense	**3,691**	**(6,005)**

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

Current-period tax expense reconciliation	2023 $'000	2022 $'000
(Loss)/profit before tax-equivalent expense	12,260	(20,032)
***Prima facie* tax-equivalent (benefit)/expense[1]**	**3,678**	**(6,010)**
Non-deductible entertainment	13	4
Prior period under provision	–	1
Tax-equivalent expense recognised in the current period[2]	**3,691**	**(6,005)**

1. The tax rate used for the 2023 reconciliation is the corporate tax rate of 30 per cent (2022: 30 per cent) payable by Australian corporate entities on taxable profits under Australian tax law.

2. Related to continuing operations.

The tax-equivalent benefit for the period recognised in other comprehensive income is as follows.

Tax recognised in other comprehensive income	2023 $'000	2022 $'000
Tax-equivalent impact of actuarial (losses)/gains	171	416
Tax-equivalent impact of revaluation in cashflow hedging reserve	3,804	(5,750)
Net tax-equivalent (benefit)/expense attributable to transactions recognised in other comprehensive income	**3,975**	**(5,334)**

Recognition and measurement

Current tax

The tax currently payable/receivable is based on taxable profit/loss for the period ended 30 June 2023. 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.

Tax benefits not recognised

Tax benefits not recognised, as deferred tax assets were capital losses of $116,000 (2022: $116,000).

Current and deferred tax for the period

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

Deferred tax assets and liabilities are attributable to the following.

		Balance at 1 July 2022	Recognised in profit or loss (prior periods)	Recognised in profit or loss (movement)	Recognised in equity	Balance at 30 June 2023
2023		**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Deferred tax assets	Employee provisions	6,946	–	(82)	–	6,864
	Right of use	2,803	–	3,933	–	6,736
	Other accruals	3	–	48	–	51
	Other provisions	500	–	42	–	542
	Derivative asset – hedging	2,272	–	–	(2,272)	–
	Vessel replacement	591	–	576	–	1,167
	Tax losses	–	–	6,625	–	6,625
	Total deferred tax assets	**13,115**	–	**11,142**	**(2,272)**	**21,985**
Deferred tax liabilities	Consumables	(829)	–	189	–	(640)
	Property, plant and equipment	(9,597)	(102)	(15,477)	–	(25,176)
	Derivative liability – hedging	–	–	–	(1,532)	(1,532)
	Prepayments	(6)	–	–	–	(6)
	Provisions	(993)	–	283	–	(710)
	Total deferred tax liabilities	**(11,425)**	**(102)**	**(15,005)**	**(1,532)**	**(28,064)**
Net deferred tax assets/(liabilities)		**1,690**	**(102)**	**(3,863)**	**(3,804)**	**(6,079)**

		Balance at 1 July 2021	Recognised in profit or loss (prior periods)	Recognised in profit or loss (movement)	Recognised in equity	Balance at 30 June 2022
2022		**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Deferred tax assets	Employee provisions	7,145	–	(199)	–	6,946
	Right of use	(3)	–	2,806	–	2,803
	Other accruals	111	–	(108)	–	3
	Other provisions	467	–	33	–	500
	Derivative asset – hedging	–	–	–	2,272	2,272
	Vessel replacement	295	–	296	–	591
	Total deferred tax assets	**8,015**	**–**	**2,828**	**2,272**	**13,115**
Deferred tax liabilities	Consumables	(539)	–	(290)	–	(829)
	Property, plant and equipment	(14,187)	50	4,540	–	(9,597)
	Derivative liability – hedging	(3,478)	–	–	3,478	–
	Prepayments	(48)	–	42	–	(6)
	Provisions	(568)	–	(425)	–	(993)
	Total deferred tax liabilities	**(18,820)**	**50**	**3,867**	3,478	**(11,425)**
Net deferred		**(10,805)**	**50**	**6,695**	**5,750**	**1,690**

A4 Cash flows

Cash flows from operating activities

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

Cash provided by operating activities	2023 $'000	2022 $'000
Profit for the year	**8,569**	**(14,027)**
Income tax expense/(benefit)	**3,691**	(6,005)
Gain/(loss) on the sale of assets	(44)	(11)
Asset fair value (increment)/decrement	(6,350)	24,257
Depreciation	6,790	8,262
Depreciation of right-of-use asset	19,698	15,300
Amortisation	1,412	1,102
Income tax paid/(received)	(954)	–
Interest on leases and unwinding of discount of restoration provisions	13,974	2,850
Movements in working capital		
(Increase)/decrease in trade and other receivables	1,913	(1,792)
(Increase)/decrease in inventories	496	(1,092)
(Increase)/decrease in prepaid expenses and other assets	(3,943)	(1,186)
Increase/(decrease) in trade and other payables	3,300	5,219
Increase/(decrease) in contract and other liabilities	7,386	8,132
Increase/(decrease) in provisions[1]	437	832
Net cash from/(used by) operating activities	**56,375**	**41,841**

1. Excluding movements in provisions through equity.

Cash flows from financing activities

Liabilities arising from financing actives are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

Reconciliation of liabilities 2023	Borrow-ings $'000	Leases $'000	Total $'000
Balance at 1 July	–	**39,470**	**39,470**
Proceeds from borrowings	203,575	–	203,575
Cash repayments	–	(20,562)	(20,562)
Total changes from financing cash flows	**203,575**	**(20,562)**	**183,013**
Non-cash changes			
New leases	–	316,609	316,609
Interest charges	–	13,917	13,917
Changes in fair value	–	(137)	(137)
Total liability changes	–	330,389	330,389
Balance as at 30 June	**203,575**	**349,297**	**552,872**

Reconciliation of liabilities 2022	Borrow-ings $'000	Leases $'000	Total $'000
Balance at 1 July	–	**1,127**	**1,127**
Proceeds from borrowings	–	–	–
Cash repayments	–	(8,797)	(8,797)
Total changes from financing cash flows	–	**(8,797)**	**(8,797)**
Non-cash changes			
New leases	–	44,846	44,846
Interest charges	–	2,294	2,294
Changes in fair value	–	–	–
Total liability changes	–	47,140	47,140
Balance as at 30 June	–	**39,470**	**39,470**

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 was as follows.

Cash and cash equivalents	2023 $'000	2022 $'000
Cash on hand	40	42
Cash at bank	77,182	114,286
Total cash and cash equivalents	**77,222**	**114,328**

During the reporting period, further instalments totalling $273.1 million were paid for contracts to build new vessels. The vessel replacement fund contributed $41.6 million.

Total unrestricted cash and cash equivalents at the reporting date was $77.2 million (2022: $114.3 million).

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

Investments	2023 $'000	2022 $'000
Term deposits (maturity <12 months)	–	20,000
Total investments	–	**20,000**

Recognition and measurement

Cash and cash equivalents include cash on hand and in banks, as well as investments in short-term money market instruments (less than three months), 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.

B2 Receivables, and financial and other assets

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

Trade and other receivables	2023 $'000	2022 $'000
Trade receivables	15,640	16,647
Allowance for expected credit losses	–	–
Total trade receivables	**15,640**	**16,647**
Other receivables	3,488	4,394
Total trade and other receivables	**19,128**	**21,041**

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 was adversely affected by the COVID-19 pandemic and the current reporting period was the first full year without travel restrictions since 2018/19. The industry has returned to pre-pandemic levels with customers' trading patterns and behaviours also returning to normal. There is an overall ageing improvement for trade receivables in the current year.

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

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

Ageing past due but not impaired	2023 $'000	2022 $'000
Not past due	13,299	13,375
0–30 days	5,626	6,468
31–60 days	43	463
>60 days	160	735
Total ageing past due but not impaired	**19,128**	**21,041**

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

Financial assets	2023 $'000	2022 $'000
Derivative asset – fuel and foreign currency hedge[1]	10,847	9,362
Total financial assets	**10,847**	**9,362**
Settled within 12 months	9,607	9,362
Settled greater than 12 months	1,240	–
Total financial assets	**10,847**	**9,362**

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

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

Other assets	2023 $'000	2022 $'000
Prepaid and other expenses	6,051	2,083
Total other assets	**6,051**	**2,083**
Current	6,051	2,083
Non-current	–	–
Total other assets	**6,051**	**2,083**

Recognition and measurement

Trade and other receivables are financial assets. Refer to note D5 'Recognition and measurement of non-derivative financial instruments' for recognition and measurement criteria.

The average credit period taken on all sales of goods and services was 22 days (2022: 28 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 large and unrelated customer base.

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 had 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 D3 '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 2023 is shown below.

	Vessels at fair value (Level 3)	Leasehold improvements at cost	Plant and equipment at cost	Buildings at fair value (Level 3)[1]	Freehold land at cost	Construction works in progress at cost	Total
Property, plant and equipment							
Gross book value	165,332	16,662	14,673	2,279	500	155,096	354,542
Accumulated depreciation	–	(14,312)	(12,968)	(282)	–	–	(27,562)
Closing net book value at 30 June 2022	**165,332**	**2,350**	**1,705**	**1,997**	**500**	**155,096**	**326,980**
Net book value at 1 July 2022	189,645	3,419	1,697	2,034	500	131,876	329,171
Movements in net book value							
Acquisitions	911	152	636	58	–	23,220	24,977
Major cyclical maintenance	6,398	–	–	–	–	–	6,398
Disposals	–	–	(275)	–	–	–	(275)
Depreciation and amortisation	(7,365)	(1,221)	(353)	(95)	–	–	(9,034)
Asset revaluation	(24,257)	–	–	–	–	–	(24,257)
Closing net book value at 30 June 2022	**165,332**	**2,350**	**1,705**	**1,997**	**500**	**155,096**	**326,980**
Property, plant and equipment							
Gross book value	174,558	56,257	15,038	–	–	442,707	688,560
Accumulated depreciation	–	(15,693)	(13,494)	–	–	–	(29,187)
Closing net book value at 30 June 2023	174,558	40,564	1,544	–	–	442,707	659,373
Net book value at 1 July 2022	165,332	2,350	1,705	1,997	500	155,096	326,980
Movements in net book value							
Acquisitions	1,602	39,595	888	64	–	287,611	329,760
Major cyclical maintenance	8,210	–	–	–	–	–	8,210
Disposals	–	–	(312)	–	–	–	(312)
Depreciation and amortisation	(5,955)	(1,381)	(737)	(98)	–	–	(8,171)
Reclassification as asset held for sale	–	–	–	(2,944)	(500)	–	(3,444)
Asset revaluation	5,369	–	–	981	–	–	6,350
Closing net book value at 30 June 2023	**174,558**	**40,564**	**1,544**	**–**	**–**	**442,707**	**659,373**

1. Buildings include buildings and equipment held at Edgewater Hotel.

Recognition and measurement

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

Fair value:

- vessels
- buildings.

Cost:

- leasehold improvements
- plant and equipment
- freehold land
- right of use
- construction works in progress.

Fair value

Fair value of an asset or liability (including property, plant and equipment) is determined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For property, plant and equipment, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of property, plant and equipment, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows.

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities the Company can access at the measurement date.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the property, plant and equipment, either directly or indirectly.
- **Level 3:** Unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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 2023, 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.

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 for 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, $101.1 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 2023. 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 at the date when the fair value was measured. No allowance was made for transport costs as these cannot be reliably determined.

The valuation of each vessel, in Australian dollars, increased from $82.6 million to $87.3 million between 2022 and 2023. The value in euros has decreased from €54.5 million to €53.5 million. The $9.2 million increase in the fair value of both vessels was the result of a favourable movement in the Australian dollar and euro exchange rate, and a decrease in the valuation. In addition to the $9.2 million increase in fair value for both vessels during the year, the vessels depreciated by $6.0 million during the year and underwent $9.8 million worth of improvements and periodic maintenance. The result of these movements was a $5.4 million vessel revaluation increment, which is recognised in the statement of profit or loss.

If the vessels plus any additions (excluding periodic maintenance) had been carried at cost, the depreciated carrying value of both vessels would be $190.4 million.

Buildings

During the year the Board made the decision to explore the option to sell Edgewater Hotel including its land, buildings and equipment. Following an expression of interest process, a contract had been negotiated as at the reporting date. The land is carried at cost and the buildings and equipment were revalued to fair value at 30 June 2023. The valuation was determined with reference to the findings of the expression of interest process and the contract negotiations.

The Edgewater land, building and equipment assets were reclassified as assets held for sale when the Board approved the sale of Edgewater Hotel in June 2023.

Asset revaluation recognised in profit or loss	**2023 $'000**	**2022 $'000**
Vessels		
Increase/(decrease) in fair value	9,226	(24,315)
Improvements and periodic maintenance	(9,812)	(7,309)
Gross revaluation (decrement)	**(586)**	**(31,624)**
Depreciation	5,955	7,367
Vessel revaluation recognised in profit or loss	–	–
Asset revaluation	**5,369**	**(24,257)**
Buildings		
Increase in fair value	743	–
Improvements	(141)	–
Gross revaluation increment	**602**	–
Depreciation	380	–
Building revaluation recognised in profit or loss	**981**	–
Total asset revaluation recognised in profit or loss	**6,350**	**(24,257)**

Construction works in progress

Contract progress payments incurred to date for the vessel build have been classified as construction works in progress (CWIP) assets, as well as other capital expenditure associated with planning and building the vessels.

Under the contract for construction of the vessels, legal ownership remains with RMC until such time that the Company has verified the vessels as being fit for purpose. Notwithstanding RMC's retention of ownership, the Company has recognised payments made to date as CWIP on the basis that RMC intends to take ownership of the vessels upon completion of the construction.

CWIP has been recognised on the basis of instalments paid, which may not reflect the actual percentage of construction as at the reporting date.

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 change is recognised on a prospective basis.

Each vessel is dry docked for major cyclical maintenance in alternate years. In accordance with the Company's depreciation policy, the total dry dock costs are capitalised and depreciated 50 per cent in the year incurred and 50 per cent 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	27	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 residual value of the vessels has also been revised with consideration of their current market value and remaining useful life. The estimated residual value has increased from $79.9 million to $85.3 million per vessel.

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 $5.3 million increase in depreciation in the statement of profit or loss and a corresponding $5.3 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' new build and port infrastructure projects of $501.1 million (2022: $743.9 million on dry docking and new build).

B4 Right-of-use assets

The Company has operating leases that relate to the dock areas at the Company's Devonport and Geelong terminals, its satellite office in Melbourne, and its information technology (IT) hardware and gym equipment. All leases are non-cancellable. The weighted average remaining lease term is 27 years.

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

Right-of-use assets	Land and buildings $'000	Equip-ment $'000	Total $'000
Balance at 1 July 2021	1,098	38	1,136
Depreciation and amortisation charge for the year	(15,279)	(23)	(15,302)
Additions to right-of-use assets	53,180	–	53,180
Balance at 30 June 2022	**38,999**	15	**39,014**
Right-of-use assets			
Balance at 1 July 2022	38,999	15	39,014
Depreciation and amortisation charge for the year	(19,562)	(136)	(19,698)
Additions to right-of-use assets	313,818	2,582	316,400
Remeasurement of assets	664	–	664
Balance at 30 June 2023	**333,919**	**2,461**	**336,380**

Recognition and measurement

Right-of-use assets comprise the initial measurement of the corresponding lease liability and lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or the useful life of the underlying asset, whichever period is shorter. The depreciation starts at the commencement date of the lease.

B5 Intangible assets – software

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

	2023	2022
Intangible assets – software	**$'000**	**$'000**
Gross book value	8,927	8,456
Accumulated amortisation	(8,412)	(8,381)
Closing net book value at 30 June	**515**	**75**
Opening net book value at 1 July	75	627
Acquisitions	471	203
Software as a service project costs[1]	–	(427)
Amortisation	(31)	(328)
Closing net book value at 30 June	**515**	**75**

1. A review of software intangible assets was completed during the prior reporting period based on new information from the IFRS Interpretations Committee, rejecting the view that software as a service contract created a separate intangible asset. In line with this information, the Company reviewed its booked assets and amended the recognition policy for current and future periods.

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 the estimated useful life of these assets. The estimated useful life and amortisation method are reviewed at the end of each reporting period, and 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.

B6 Assets held for sale

During the year the Board made the decision to sell Edgewater Hotel including its land, buildings and equipment. Following an expression of interest process, a contract had been negotiated as at the reporting date. The land, buildings and equipment were revalued to fair value at 30 June 2023.

Recognition and measurement

A non-current asset held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to sell, and is not subject to depreciation. Non-current assets, disposal groups and related liabilities are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or the disposal group sale) is expected to be completed within 12 months from the date of classification.

	2023	2022
Asset held for sale	**$'000**	**$'000**
Internal transfer from land	**500**	–
Internal transfer from buildings and equipment	**2,944**	–
Total assets held for sale	**3,444**	–

B7 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, this 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.

B8 Inventories

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

Inventories	2023 $'000	2022 $'000
Marine fuel	2,135	2,764
Maintenance stock	1,354	1,212
Food and beverage stock	659	668
Total inventories	**4,148**	**4,644**

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 $91.2 million (2022: $74.3 million).

B9 Payables, and financial and other liabilities

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

Trade and other payables	2023 $'000	2022 $'000
Trade and other payables	**17,464**	**14,164**

Financial and other liabilities	2023 $'000	2022 $'000
Financial liabilities (hedging instruments)	5,742	16,937
Other liabilities	164	138
Total financial and other liabilities	**5,906**	**17,075**
Current	5,872	10,893
Non-current	34	6,182
Total financial and other liabilities	**5,906**	**17,075**

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 22 days (2022: 15 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'.

B10 Lease liability

At the inception of a contract, the Company assesses whether the contract is or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with terms of less than 12 months) and leases of low-value assets. For these leases the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The Company has operating leases that relate to the dock areas at the Company's Devonport and Geelong terminals, its satellite office in Melbourne, and its IT hardware and gym equipment. All leases are non-cancellable. The weighted average remaining lease term is 27 years.

Amounts recognised in statement of cash flows	2023 $'000	2022 $'000
Total cash outflow for leases	20,562	8,797

Minimum lease payments	Under 1 year $'000	1–5 years $'000	After 5 years $'000	Total $'000
As at 30 June 2023				
Lease payments	27,960	95,562	604,009	727,531
Finance charges	(18,707)	(70,380)	(289,147)	(378,234)
Net present value	**9,253**	**25,182**	**314,862**	**349,297**

Minimum lease payments	Under 1 year $'000	1–5 years $'000	After 5 years $'000	Total $'000
As at 30 June 2022				
Lease payments	10,959	33,326	–	44,285
Finance charges	(1,959)	(2,856)	–	(4,815)
Net present value	**9,000**	**30,470**	–	**39,470**

Lease liabilities	2023 $'000	2022 $'000
Total lease liabilities	**349,297**	**39,470**
Current lease liabilities	27,960	10,959
Non-current lease liabilities	321,337	28,511
Total lease liabilities	**349,297**	**39,470**

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 leases space at the Geelong Terminal to a third party for the operation of a cafe. This is considered a low-value lease.

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 to 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 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, at 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 (the financing arm of the Tasmanian Government) and adjusting for the interest margin the Company would expect to pay to borrow for a similar term, secured against a similar class of asset in a similar economic environment.

Lease payments included in measuring 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.

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 the lease commencement date, the Company assesses whether it is reasonably certain to exercise the extension options. If there is a significant event or significant changes in circumstances within the Company's control, the Company reassesses whether it is reasonably certain to exercise the options.

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 some 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.

	2023	2022
Amounts recognised in profit or loss	**$'000**	**$'000**
Leases under AASB 16		
Interest on lease liabilities	13,896	2,294
Expenses relating to short-term leases	411	57
Expenses relating to leases of low-value assets, excluding low-value short-term leases	338	242
Expenses from leasing activities	**14,645**	**2,593**

B11 Other provisions

Restoration

Provisions for the costs to restore leased plant and property assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at Management's best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

A provision has been recognised in respect of the restoration of the TasPorts Devonport site and the Ports Victoria Station Pier site, in accordance with their respective lease agreements. The provision is an estimate, based on Management's judgement, of the expected outflow of economic benefits at the conclusion of each lease. The TasPorts lease expires in June 2026 and the Ports Victoria lease expired in November 2022. A Deed of Release in respect of the Ports Victoria lease was executed in July 2023.

Restoration provision	2023 $'000	2022 $'000
Discounted balance at 1 July	8,888	–
Additions to restoration provision	400	8,332
Remeasurement of liability	41	–
Interest/unwinding of discount charge for the year	208	556
Balance at 30 June	**9,537**	**8,888**
Current	8,900	8,284
Non-current	637	604
Total other provisions	**9,537**	**8,888**

B12 Contract liabilities

Revenue received in advance occurs when payment for services has been received from an external party, but the associated services have not yet been performed.

Revenue received in advance for 38,482 bookings (2022: 32,827) for future sailings and the ageing profile at the reporting date is shown below.

Revenue received in advance Ageing profile	2023 $'000	2022 $'000
Overpaid	29	25
1–3 months	14,591	33,272
4–6 months	14,687	69
6–12 months	11,465	17
>12 months	–	6
Total revenue in advance	**40,772**	**33,389**

Revenue received in advance and reported at 30 June 2022 has either been recognised as revenue or refunded according to the Company's agreed terms and conditions. Revenue received more than 12 months in advance for the prior year is due to temporary concessions to standard booking conditions, to allow extensions of travel dates in relation to COVID-19 travel disruptions.

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.

	2023	2022
Provisions	**$'000**	**$'000**
Workers compensation[1]	1,805	1,666
Long service leave	8,981	9,022
Annual leave	8,234	8,217
Defined benefit obligation[2]	5,666	5,913
Total provisions	**24,686**	**24,818**
Current	17,869	17,560
Non-current	6,817	7,258
Total provisions	**24,686**	**24,818**

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

2. See note C4 '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 services entitling them to these contributions. Further details of recognition, measurement and key estimates are provided in note C4 '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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Short-term employee benefits	317	*326*	3,544	*3,556*	3,861	*3,882*
Post-employment benefits	32	*32*	280	*265*	312	*297*
Long-term benefits	–	–	20	*52*	20	*52*
Termination benefits	–	–	216	*102*	216	*102*
Total	**349**	***358***	**4,060**	***3,975***	**4,409**	***4,333***

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

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 and Transport. 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 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 for senior executives are contained in individual employment contracts, which 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 before terminating the contract, and the Company to provide a minimum six-month notice period.

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

Incentive payments

The CEO and executive-level employees are eligible for a short-term incentive payment subject to meeting agreed key performance indicators. These indicators are set by the Board with individual performance objectives identified through the TT4Me process. Individual objectives are aligned with the Company's strategic objectives and business performance results across a mix of corporate and individual measures.

Short-term incentive payments depend on the employee achieving specified performance goals within specified timeframes. These payments are non-recurrent and are capped at a percentage of annual base salary that is approved by the Company's Board Remuneration Committee. This cap was 15 per cent for the 2022/23 financial year.

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

The following short-term incentive payments were awarded during the current year for performance in the previous reporting year.

Short-term incentives	2023	2022
Mr D Collett	26,858	–
Mr P Davis	–	24,654
Mr N Harriman	37,126	34,699
Ms K Holandsjo	27,441	7,633
Ms A Johnson	23,135	19,619
Mr K Maynard	–	10,501
Mr J McGrath	41,117	38,037
Mr R Hall	40,600	38,745
Ms E Panos	20,515	21,838
Ms K Sayers	44,851	44,913
Mr I Whitechurch	24,401	23,409

Termination benefits

A termination payment of $203,000 was made to Mr Davis during the current year. Mr Davis ceased employment in November 2022. The termination payment represented the balance of accrued leave entitlements of $86,000, and six months' pay in lieu of notice of $117,000, according to an existing employment agreement.

A termination payment of $13,000 was made to Mr Collett during the current year. Mr Collett ceased employment in January 2023. 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 key management personnel when acting arrangements are in place for a period of more than one month, and the role has been fully delegated to the individual.

Directors' remuneration

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

2023 Director remuneration[1]	Period	Directors' fees $'000	Committee fees $'000	Superannuation[2] $'000	Total $'000
Non-executive Directors					
Mr M Grainger – Chairman	Full term	85	5	10	100
Mr D Bugg	Full term	43	–	4	47
Capt R Burgess	Full term	43	–	4	47
Ms H Galloway	Full term	43	5	5	53
Ms A McMahon	Full term	43	–	4	47
Ms Y Rundle	Full term	43	7	5	55
Executive Director[3]					
Mr B Dwyer – CEO	Full year	–	–	–	–
Total		**300**	**17**	**32**	**349**

2022 Director remuneration[1]	Period	Directors' fees $'000	Committee fees $'000	Superannuation[2] $'000	Total $'000
Non-executive Directors					
Mr M Grainger – Chairman	Full term	88	5	9	102
Mr D Bugg	Full term	44	–	4	48
Capt R Burgess	Full term	44	–	4	48
Ms C Filson	To November 2021	17	2	2	21
Ms H Galloway	Full term	44	5	5	54
Ms A McMahon	From November 2021	26	–	3	29
Ms Y Rundle	Full term	46	5	5	56
Executive Director[3]					
Mr B Dwyer – CEO	Full year	–	–	–	–
Total		**309**	**17**	**32**	**358**

1. Amounts include all forms of consideration paid, payable or provided by the Company, with disclosure made on an accrual basis as 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.

2023 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)*	464	–	25	35	1	–	**525**	–	40	**565**
Mr N Bailey *Chief Information Officer (from May 2023)*	19	–	2	3	–	–	**24**	–	2	**26**
Mr D Collett *Chief Information Officer (to January 2023)*	124	27	16	25	–	5	**197**	13	(18)	**192**
Mr P Davis *Head of Strategic Projects (to November 2022)*	66	–	19	10	–	41	**136**	203	(98)	**241**
Capt R Hall *General Manager Marine Operations (full year)*	285	41	25	44	1	–	**396**	–	6	**402**
Mr N Harriman *General Manager Retail and Hospitality (full year)*	255	37	25	16	5	3	**341**	–	22	**363**
Ms K Holandsjo[10] *General Manager Passenger Sales (full year)*	204	27	24	12	1	–	**268**	–	6	**274**
Ms A Johnson *General Manager Port Operations (full year)*	184	23	22	28	1	–	**258**	–	17	**275**
Mr S Maycock *General Counsel/Company Secretary (full year)*	175	–	18	29	–	1	**223**	–	9	**232**
Mr J McGrath[11] *General Manager Human Resources (to February 2023)* *Chief Operating Officer (from March 2023)*	309	41	25	33	1	1	**410**	–	(6)	**404**
Ms E Panos *General Manager Marketing (full year)*	187	20	22	27	1	–	**257**	–	8	**265**
Ms K Sayers *Chief Financial Officer (full year)*	308	45	25	36	1	–	**415**	–	10	**425**
Mr M Stanton[12] *General Manager Human Resources (from February 2023)*	72	–	8	18	–	1	**99**	–	4	**103**
Mr I Whitechurch *General Manager Freight Sales (full year)*	201	24	24	25	1	–	**275**	–	18	**293**
Total	**2,853**	**285**	**280**	**341**	**13**	**52**	**3,824**	**216**	**20**	**4,060**

2022 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	–	24	35	2	–	**510**	–	32	**542**
Mr D Collett *Chief Information Officer (full year)*	207	–	21	34	–	–	**262**	–	15	**277**
Mr P Davis *Head of Strategic Projects (full year)*	206	25	23	20	11	9	**294**	–	9	**303**
Capt R Hall *General Manager Marine Operations (full year)*	277	39	27	50	1	–	**394**	–	32	**426**
Mr N Harriman *General Manager Retail and Hospitality (full year)*	248	35	27	34	7	–	**351**	–	5	**356**
Ms K Holandsjo[10] *General Manager Passenger Sales (full year)*	125	7	13	21	–	1	**167**	–	6	**173**
Ms A Johnson *General Manager Port Operations (full year)*	178	20	20	28	–	48	**294**	–	11	**305**
Mr S Maycock *General Counsel/Company Secretary (from February 2022)*	46	–	5	8	–	–	**59**	–	2	**61**
Mr K Maynard *General Manager Corporate Services (to October 2021)*	70	10	8	15	–	7	**110**	102	(102)	**110**
Mr J McGrath[11] *General Manager Human Resources (full year)*	288	38	27	38	1	2	**394**	–	6	**400**
Ms E Panos *General Manager Marketing (full year)*	182	22	20	29	1	–	**254**	–	7	**261**
Ms K Sayers *Chief Financial Officer (full year)*	299	45	28	36	1	51	**460**	–	25	**485**
Mr I Whitechurch *General Manager Freight Sales (full year)*	195	23	22	29	1	2	**272**	–	4	**276**
Total	**2,770**	**264**	**265**	**377**	**25**	**120**	**3,821**	**102**	**52**	**3,975**

1. Amounts include all forms of consideration paid, payable or provided by the Company, with disclosure made on an accrual basis and including all accrued benefits as 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 are short-term incentives. Short-term incentive payments are non-recurrent payments that depend on the employee achieving specified performance goals within specified timeframes. Short-term incentive payments are capped at 15 per cent of total remuneration in the 2022/23 financial year.

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

5. Vehicle benefits include the personal use of motor vehicles (calculated as the fringe benefits tax (FBT) taxable value of the personal use component plus the FBT paid) and any vehicle allowance paid to an employee.

6. Other monetary benefits includes all other forms of employment allowances (excluding expense reimbursements) and other compensation paid and payable, including living away from home allowance and salary continuance insurance.

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, plus the FBT expense paid in relation to the benefits provided.

8. Termination benefits includes all forms of benefits 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 being required due to an employee's departure.

10. Ms K Holandsjo was key management personnel for the full year. She had three months' leave without pay in the prior year, and worked part time in the current and previous reporting periods.

11. Mr J McGrath was appointed as Chief Operating Officer for a fixed term from February 2023 to the end of 2024, while the Company implements key strategic projects.

12. Mr M Stanton was appointed General Manager of Human Resources for a fixed term from February 2023 to the end of 2024, in line with Chief Operating Officer role.

C3 Related-party transactions

Except for the details disclosed in this note, no key management personnel 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 (2022: $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.

During the reporting period, the Company paid $384,840 for the provision of goods to Liferaft Systems Australia Pty Ltd. Mr Michael Grainger, a Director of the Company, is also a Director and Shareholder of Liferaft Systems Australia Pty Ltd, for which he received remuneration.

C4 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	2023 $'000	2022 $'000
Defined benefit obligation	6,926	7,202
Fair value of scheme assets	(1,260)	(1,289)
Net defined benefit liability	**5,666**	**5,913**
Current	180	102
Non-current	5,486	5,811
Net defined benefit liability	**5,666**	**5,913**

Reconciliation of the defined benefit obligation	2023 $'000	2022 $'000
Present value of defined benefit obligation at the beginning of the period	**7,202**	**8,561**
Current service cost	117	158
Interest cost	382	271
Contributions by plan participants	36	33
Actuarial (gains)/losses arising from changes in demographic assumptions	(25)	–
Actuarial (gains)/losses arising from changes in financial assumptions	(298)	(2,271)
Actuarial (gains)/losses arising from liability experience	(334)	567
Benefits paid	(153)	(116)
Estimated taxes, premiums and expenses paid	(1)	(1)
Present value of defined benefit obligation at the end of the period	**6,926**	**7,202**

Reconciliation of the fair value of scheme assets	2023 $'000	2022 $'000
Fair value of fund assets at the beginning of the period	**1,289**	**1,560**
Interest income	69	50
Actual return on plan assets less interest income	(86)	(317)
Employer contributions	106	80
Contributions by plan participants	36	33
Benefits paid	(153)	(116)
Taxes, premiums and expenses paid	(1)	(1)
Fair value of fund assets at the end of the period	**1,260**	**1,289**

Reconciliation of the net defined benefit liability	2023 $'000	2022 $'000
Net defined benefit liability at the beginning of the period	**5,913**	**7,001**
Current service cost	117	158
Net interest	313	221
Actual return on plan assets less interest income	86	317
Actuarial (gains)/losses arising from changes in demographic assumptions	(25)	–
Actuarial (gains)/losses arising from changes in financial assumptions	(298)	(2,271)
Actuarial (gains)/losses arising from liability experience	(334)	567
Employer contributions	(106)	(80)
Present value of defined benefit obligation at the end of the period	**5,666**	**5,913**

Plan information

Members of the Contributory Scheme receive lump-sum or pension benefits on retirement, death, invalidity or 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) as amended from time to time.

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.

Components of defined benefit costs recognised in profit or loss	**2023 $'000**	**2022 $'000**
Current service	117	158
Net interest	313	221
Components of defined benefit costs recognised in profit or loss	**430**	**379**

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	**2023 $'000**	**2022 $'000**
Actuarial (gains)/losses arising from changes in demographic assumptions	(25)	–
Actuarial (gains)/losses arising from changes in financial assumptions	(298)	(2,271)
Actuarial (gains)/losses arising from liability experience	(334)	567
Actual return on plan assets less interest income	86	317
Components of defined (benefit)/cost recognised in other comprehensive income	**(571)**	**(1,387)**

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, or 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
- property occupied, or other assets used, by the Company.

Assets are not held separately for each reporting entity, such as TT-Line, but are held for the fund as a whole. The fair value of Scheme assets for each reporting entity was estimated by allocating the total fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in the report prepared by the State's actuary (Mercer), dated 12 July 2023, 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 4.30 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.

	Quoted prices in active markets for identical assets (Level 1)	**Significant observable inputs (Level 2)**	**Unobservable inputs (Level 3)**	**Total**
2023[1]	**$'000**	**$'000**	**$'000**	**$'000**
Asset category				
Cash and cash equivalents	–	–	–	–
Equity instruments (Australia)	–	195	–	195
Equity instruments (international)	–	237	–	237
Infrastructure	–	49	151	200
Diversified fixed interest	–	298	–	298
Property	–	24	214	238
Alternative investments	–	92	–	92
Total	–	**895**	**365**	**1,260**

1. Estimated based on assets allocated to the Company at 30 June 2023 and asset allocation of the Contributory Scheme as at 30 June 2022.

__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	**2023**	**2022**
	%	**%**
Discount rate (active members)	5.35	3.20
Discount rate (pensioners)	5.35	3.20
Expected salary increase rate	3.50	3.00
Expected compulsory preserved amount increase rate	5.50[1]	3.00
Expected pension increase rate	5.50[2]	2.25

1. Expected rate is 5.50 per cent for 30 June 2023 and then 3.50 per cent per annum.
2. Expected rate is 5.50 per cent for 30 June 2023, 3.25 per cent for 30 June 2024 and then 2.50 per cent per annum.

Assumptions to determine end-of-year defined benefit obligation	**2023**	**2022**
	%	**%**
Discount rate (active members)	5.70	5.35
Discount rate (pensioners)	5.70	5.35
Expected salary increase rate	3.50	3.50
Expected compulsory preserved amount increase rate	3.50	5.50[1]
Expected pension increase rate	3.50[3]	5.50[2]

1. Expected rate is 5.50 per cent for 30 June 2023 and then 3.50 per cent per annum.
2. Expected rate is 5.50 per cent for 30 June 2023, 3.25 per cent for 30 June 2024 and then 2.50 per cent per annum.
3. Expected rate is 3.50 per cent for 30 June 2024, 3.50 per cent for 30 June 2025, 3.00 per cent for 30 June 2026 and then 2.50 per cent per annum.

__Sensitivity analysis__

The defined benefit obligation at 30 June 2023, 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.

- 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	5.70	2.50	6,926
Scenario A	4.70	2.50	7,947
Scenario B	6.70	2.50	6,103
Scenario C	5.70	1.50	6,356
Scenario D	5.70	3.50	7,625

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

The pension increase assumptions in the above table are long-term pension increase assumptions. Higher rates are assumed for the next three years. In scenarios C and D, both the short-term and long-term assumptions have been adjusted.

__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.

	2024
Expected employer contributions	**$'000**
Expected employer contributions in 2024	180

__Maturity profile of the defined benefit obligation__

The weighted average duration of the defined benefit obligation for the Company is 14 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 (issued capital, contributed capital, reserves and retained earnings), with a net equity position at the reporting date of $461.9 million (2022: $402.5 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 received $41.6 million (2022: $21.7 million) of contributed equity from the legislated vessel replacement fund. No additional voting rights were issued.

	2023	2022
Share capital	**$'000**	**$'000**
Ordinary shares fully paid: 328,981,119 (2022: 328,981,119)	**328,981**	**328,981**

The Company manages its capital to ensure it will be able to continue as a going concern while maximising the benefit to stakeholders. The Company's overall strategy remains unchanged from 2022.

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

D2 Borrowings

All borrowings transacted through TASCORP are secured by a floating charge on all present and future trade and other receivables.

Master loan facility agreement

The Company has a master loan facility agreement (MLFA) with TASCORP. This agreement covers a number of borrowing covenants the Company must operate within, including interest ratio limits, non-TASCORP permitted third-party debt limits, and asset movements.

All MLFA covenants are closely monitored, and all requirements were met for the 2022/23 financial year.

	2023	2022
Borrowings	**$'000**	**$'000**
Overnight	–	–
Borrowings	203,575	–
Total borrowings	**203,575**	–
Current	3,575	–
Non-current	200,000	–
Total financial and other liabilities	**203,575**	–

Unused borrowing facilitates at balance date

	Limit	Drawn	Undrawn
2022	**$'000**	**$'000**	**$'000**
TASCORP working capital facility	45,000	–	45,000
TASCORP MLFA	650,000	–	650,000
2023			
TASCORP working capital account	45,000	–	45,000
TASCORP MLFA	700,000	203,575	496,425

Recognition and measurement

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Non-current borrowings are those with a maturity beyond one year of the reporting date. All borrowings that are not non-current borrowings are current borrowings.

Interest is expensed as it accrues and no interest has been capitalised during the current or prior reporting periods. There have been no defaults or breaches of the loan agreement during the period. On 21 March 2023, the Treasurer signed a Deed of Guarantee in relation to the borrowings of the Company from the Tasmanian Public Finance Corporation. The Guarantee supports borrowings of $700 million for the vessel replacement project and $45 million to support ongoing operations.

D3 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. Treasury 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 cashflow 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)
- 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.

The Company has contracted for the construction of two replacement vessels, which is payable in euros and is therefore exposed to market risk arising due to foreign exchange rates. The Company has entered into forward contract arrangements with the Tasmanian Public Finance Corporation to manage the risks associated with fluctuations in foreign currency exchange rates.

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 2023. 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 (such as exchange rates, designations and hedge effectiveness testing results) constant.

	Net profit		Equity	
Marine fuel price	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
10% increase (favourable)	3,209	4,162	3,517	1,700
10% decrease (unfavourable)	(3,209)	(4,239)	(3,517)	(1,700)

Exchange rate sensitivity analysis

The following table summarises the potential impact of reasonably possible changes in foreign currency exchange rates on net profit and equity for the period ended 30 June 2023 and the comparative period. This analysis includes only outstanding foreign currency–denominated monetary items and adjusts their translation at year end for a change in foreign currency rates only.

The sensitivity analysis assumes a 10 per cent increase or decrease in the currency units against the relevant foreign currencies, holding all other variables (such as fuel price, designations and hedge effectiveness testing results) constant.

	Net profit		Equity	
US$/A$ exchange rate	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
10% increase (unfavourable)	(2,918)	(4,512)	(3,197)	(1,545)
10% decrease (favourable)	3,566	3,507	3,908	1,889

	Net profit		Equity	
€/A$ exchange rate	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
10% increase (unfavourable)	(23,473)	(1,971)	(67,230)	(104,519)
10% decrease (favourable)	28,689	2,409	20,015	31,805

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, the Company enters into forward exchange contracts to manage 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 has an approved borrowings facility with TASCORP to support the new build and port infrastructure projects. Drawdowns on this facility are aligned with projected contractual payments. Interest rate risk is managed primarily through varying maturity dates and repayment profiles, and by locking in rates for these periods.

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit for the reporting period would have increased or decreased by $0.5 million (2022: increased or decreased by $0.6 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 financial 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 ECLs is not necessary at the reporting date.

The Company has entered contracts for the construction of two replacement vessels and has made instalment payments under these contracts. Under the contractual terms, in the event that the supplier breaches their obligations, instalments made will become refundable to the Company. The Company is exposed to credit risk whereby the supplier may be unable to make refund payments to the Company to the value of instalments made. To mitigate this risk, the supplier is contractually required to issue refund guarantees from a highly rated institution to guarantee a refund for any instalments made where the supplier is in breach of their contractual obligations.

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 counterparties' credit standing has not had any deterioration that might impact their ability to meet their obligations under their agreement. A similar review is undertaken before entering into any new agreement.

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

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

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

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

The risk associated with financial assets is reduced further by holding 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.

D4 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 cashflow hedges relating to future marine fuel purchases and foreign currency forward exchange contracts at the reporting date are shown below.

	2023	2022
Derivative financial assets	**$'000**	**$'000**
Marine fuel hedge	28	9,362
Foreign currency hedge	10,819	–
Total derivative financial assets	**10,847**	**9,362**

	2023	2022
Derivative financial liabilities	**$'000**	**$'000**
Marine fuel hedge	5,741	–
Foreign currency hedge	–	16,937
Total derivative financial liabilities	**5,741**	16,937

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

	2023	2022
Cashflow hedging reserve	**$'000**	**$'000**
Balance at the beginning of the period	(5,302)	8,114
Effective portion of changes in fair value of cashflow hedge	4,894	(19,458)
Ineffective portion of changes in fair value of cashflow hedge recognised in the statement of profit or loss	–	–
Transfer of hedge reserve to statement of profit or loss and comprehensive income	7,787	292
Net impact on equity before tax	**12,681**	**(19,166)**
Deferred tax liability arising on market valuation	(3,804)	5,750
Net impact on equity after tax	**8,877**	**(13,416)**
Balance at the end of the period	**3,575**	**(5,302)**

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 cashflow 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 cashflow hedges is recognised in other comprehensive income and is accumulated under the heading of cashflow 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 or 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.

To reduce the risk of hedge ineffectiveness occurring, the Company only hedges the fuel type to be consumed and consumption volumes that are approved based on the future sailing strategy. Treasury threshold limits are also in place. Foreign currency hedges are only entered into when signed contracts are in place and the currency hedged is the currency designated in the contract.

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 cashflow 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.

2023	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	–	28	–	28
Foreign currency hedge	–	10,819	–	10,819
Total financial assets at FVTPL	–	**10,847**	–	**10,847**
Financial liabilities at FVTPL				
Marine fuel hedge	–	(5,741)	–	(5,741)
Foreign currency hedge	–	–	–	–
Total financial liabilities at FVTPL	–	**(5,741)**	–	**(5,741)**

2022	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	–	9,362	–	9,362
Foreign currency hedge	–	–	–	–
Total financial assets at FVTPL	–	**9,362**	–	**9,362**
Financial liabilities at FVTPL				
Marine fuel hedge	–	–	–	–
Foreign currency hedge	–	(16,937)	–	(16,937)
Total financial liabilities at FVTPL	–	**(16,937)**	**–**	**(16,937)**

There were no transfers between levels during the reporting period.

Derivative financial instruments

For hedges of highly probable forecasted purchases, with the critical terms (the notional amount, life and timing) of marine fuel and foreign exchange forward contracts and their corresponding hedged items being the same, the Company performs a qualitative assessment of effectiveness. It is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying rates.

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 2023. 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.

2023 – Expected cash flows	Average rate	Under 1 year $'000	1–5 years $'000	More than 5 years $'000	Total $'000
Marine fuel hedge					
Assets ($ per metric tonne)	$1,052	28	–	–	28
Liabilities ($ per metric tonne)	$1,052	(5,730)	(11)	–	(5,741)
Forward exchange contract					
Assets (A$/€)	$0.6214	9,579	1,240	–	10,819
Liabilities (A$/€)	–	–	–	–	–

2022 – Expected cash flows	Average rate	Under 1 year $'000	1–5 years $'000	More than 5 years $'000	Total $'000
Marine fuel hedge					
Assets ($ per metric tonne)	$554.00	9,362	–	–	9,362
Liabilities ($ per metric tonne)	–	–	–	–	–
Forward exchange contract					
Assets (A$/€)	–	–	–	–	–
Liabilities (A$/€)	$0.6242	(10,755)	(6,182)	–	(16,397)

D5 Recognition and measurement of non-derivative financial instruments

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

Financial assets	2023 $'000	2022 $'000
Cash and cash equivalents	77,222	114,328
Investments	–	20,000
Trade and other receivables	19,128	21,041
Total financial assets	**96,350**	**155,369**

Financial liabilities	2023 $'000	2022 $'000
Trade and other payables	17,449	14,164
Borrowings	203,575	–
Total financial liabilities	**221,024**	**14,164**

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 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.

2023 – 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	77,182	–	–	–	40	77,222
Investments	–	–	–	–	–	–
Trade and other receivables	–	–	–	–	19,128	19,128
Total non-derivative financial assets	**77,182**	–	–	–	**19,168**	**96,350**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	17,449	17,449
Borrowings	–	3,575	–	200,000	–	203,575
Total non-derivative financial liabilities	–	**3,575**	–	**200,000**	**17,449**	**221,024**

2022 – 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	114,286	–	–	–	42	114,328
Investments	–	20,000	–	–	–	20,000
Trade and other receivables	–	–	–	–	21,041	21,041
Total non-derivative financial assets	**114,286**	**20,000**	–	–	**21,082**	**155,369**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	14,164	14,164
Total non-derivative financial liabilities	–	**–**	**–**	–	**14,164**	**14,164**

E – Additional information

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

E1 Auditor's remuneration

The auditor of the Company is the Tasmanian Audit Office. Fees charged for auditing the current year's financial report were $90,000 (2022: $80,000).

E2 Contingent assets and liabilities

At 30 June 2023, TT-Line Company Pty Ltd was involved in one matter before the courts. The Company is actively defending this claim. It is not possible to estimate the amounts of any eventual payments that may be required in relation to this claim.

The Company is currently in negotiations to settle a personal injury claim in relation to an alleged injury on the vehicle deck that occurred in 2018. It is not possible to estimate the amount of any eventual payment that may result in relation to this claim.

E3 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.

Adoption of new and revised Australian Accounting Standards

The Company has adopted all the new and revised standards and interpretations issued by the AASB that are relevant to the Company's operations and effective for an accounting period that begins on or after 1 July 2021.

New and revised standards and amendments thereof, and interpretations effective for the current year that are relevant to the Group, include:

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*

The adoption of the new and revised standards and amendments does not have a material impact on the financial statements of the Company.

New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standards, interpretations and amendments that have been issued but are not yet effective that are relevant to the Company:

Standard or interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments [AASB 1, AASB 3, AASB 116, AASB 137 and AASB 141]*	1 July 2023	30 June 2024
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* and AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date [AASB 101]*	1 July 2024	30 June 2025
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2]*	1 July 2024	30 June 2025
AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112]*	1 July 2024	30 June 2025

The potential impact of the revised standards and interpretations on the Company's financial statements has not yet been determined.

In addition, at the date of authorisation of the financial statements the following IFRS Accounting Standards and IFRS Interpretations Committee interpretations were on issue but not yet effective, Australian equivalent standards and interpretations have not yet been issued:

Standard or interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*	1 July 2024	30 June 2025
IFRS S2 *Climate-related Disclosures*	1 July 2024	30 June 2025

Given the release date of the above standards and interpretations, their potential impact on the Company's financial statements has not yet been determined.