

TT-Line Company Pty Ltd

# ANNUAL REPORT

2019/20



 **SPIRIT OF TASMANIA**



## **COMPANY VISION**

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

## **COMPANY MISSION**

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

## **BUSINESS OBJECTIVES**

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

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





# TABLE OF CONTENTS

Report from the Chairman.....	4
Report from the Chief Executive Officer.....	5
Public Interest Disclosure .....	7
Ship Facts.....	8
Statement of Corporate Intent.....	9
Explanation of Numbers Statement.....	10
Other Important Information (Unaudited).....	11
Annual Financial Report.....	13





# REPORT FROM THE CHAIRMAN

The performance of the Company during the first three quarters of the 2019/20 financial year prior to the introduction of travel restrictions imposed as a result of the COVID-19 pandemic was very strong – operating revenue for this period reached \$201 million and profit before tax was \$68 million.

At the end of the reporting period, total revenue was \$270.7 million (2018/19: 261.9 million). After tax profit for the year reached \$32.4 million (2018/19: \$44.1 million).

The Spirit of Tasmania vessels were valued at 67.5 million Euros each as at 30 June 2020. This value is the same as the prior two years which reflects the quality of the current vessels.

The vessels are highly regarded in the international ship market due to the maintenance regime undertaken by TT-Line, combined with the significant work undertaken to ensure the vessels continue to comply with the International Maritime Organisation's global cap on emissions.

Operationally, the number of sailings decreased by 25 from 867 last financial year to 842 in 2019/20. The number of sailings was heavily impacted by Tasmanian border restrictions which precipitated a number of day sailings and Sunday sailings being cancelled.

As a consequence, passenger numbers totalled 351,224 in 2019/20 (2018/19: 446,869). Significantly the freight volumes carried by the Company for the year were the highest on record, due in part to the increased availability of lane metres on board the ships because of lower passenger requirements. This further defines the crucial role the Company plays as an essential service for time sensitive freight in and out of Tasmania.

Operating the Spirit of Tasmania vessels safely and reliably is a priority objective of our business with workplace and ship safety at the core of everything we do. The focus on this important area of our operations was maintained during 2019/20 with the Board reviewing and discussing safety at every Board meeting.

Though it occurred outside the reporting period, it is important to reference the decision by the Tasmanian Government not to proceed with the current proposed vessel replacement contract with Finnish ship builder Rauma Marine Constructions (RMC).

The government advised the Company that, given current and emerging economic problems caused by COVID-19, there needed to be further consideration of local content and manufacturing jobs in Tasmania and Australia as part of the overall vessel replacement project.

As the Premier and Minister noted at the time of the public announcement, the decision was not a reflection of the quality of the business case developed by TT-Line, nor the ability of RMC to deliver the proposed contracts.

It remains TT-Line's view that it is essential that the vessels are replaced in coming years to support the continued growth in the passenger and freight transport needs of the State that exist despite the impact of the COVID-19 pandemic.

Importantly, the government's decision does not impact the Company's decision to move its Victorian port operations from Station Pier, Port Melbourne, to Corio Quay, north of Geelong. This move will support the growth in all of the Company's markets for decades to come and provide increased efficiencies for passengers and freight.

The Company's commercial arrangement with the North Melbourne Football Club continued during the reporting period. Though this was obviously adversely impacted by COVID-19 in 2020 season, the change in sponsorship activations did increase the exposure of the Company's brand during the games that were played. The company also continued its sponsorship arrangement with the North Melbourne AFLW team.

I would like to thank my fellow Directors for their significant contributions during Board deliberations, and on behalf of the Board thank the Leadership Team for its tireless work during this unprecedented and extraordinary period. I would also like to note the significant contribution made by crew and staff, and thank them for their ongoing commitment during the disrupted year.

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



**Michael Grainger**  
Chairman



# REPORT FROM THE CHIEF EXECUTIVE OFFICER

As referenced in the Chairman's message in this Annual Report, TT-Line Company Pty Ltd was heading towards another very strong year before the COVID-19 pandemic adversely impacted our operations.

The Company's revenue from operations was \$232.0 million (2018/19: \$256.5 million) and our earnings before interest, tax, depreciation and amortisation totalled \$32.9 million (2018/19: \$63.5 million).

Following the decision by the Tasmanian Government to introduce border restrictions the Company adjusted its sailing schedule with a number of day sailings and Sunday sailings cancelled. In addition, TT-Line reduced its traditional marketing spend.

While these, and other cost control measures were introduced, at no time was crew or passenger safety or the reliability of our services compromised.

Traditionally, one vessel is removed from service for dry docking at Garden Island in Sydney when the ship undergoes major machinery and preservation work. The Company dry docks each vessel twice in a four-year cycle.

Spirit of Tasmania I was successfully dry docked as scheduled in July 2019.

Maintenance work was undertaken on the bow and stern doors and fuel oil and bilge tanks, and preservation work was completed on the vehicle decks and stern ramps. In addition, the hull was painted, decks three and five were track blasted and painted and deck 10 was refurbished and recoated.

Tasmanian and Victorian contractors resided on board the vessel for periods during the dry dock to undertake a variety of tasks including renewal of floor coverings to resealing of windows and decks.

The Company developed and implemented a COVID-19 Safety Management Plan, and a Pandemic Policy with specific reference to COVID-19 during the period.

In addition, a Keeping Safe in the Workplace document was developed as part of this work to provide advice to employees about how to reduce the risk of acquiring COVID-19 in the workplace and reduce the risk of transmission of COVID-19.

Under the plan the Company introduced temperature checking for employees, freight drivers, contractors and visitors, increased cleaning protocols and developed face covering guidelines.

TT-Line progressively introduced strict protocols for Bass Strait crossings in line with health advice, the ultimate arrangements being that passengers and freight drivers were restricted to cabins, no public bars, restaurants or entertainment areas were open at any stage and no food could be purchased onboard. In addition, there was no re-circulated air to cabins, a high degree of cleaning was undertaken as advised by professionals consulting to the Company and passengers were called to go to their vehicles in controlled sections on arrival to minimise contact between passengers.

This has been a very difficult period for TT-Line and of course for most businesses in Tasmania associated with travel and shipping interstate.

I would like to particularly thank all TT-Line crew and staff for their commitment to the business during what has obviously been a challenging time for them and their families as we have managed through what has been an unprecedented period.

In addition, I would like to also thank and note the professional and timely manner in which the Company worked with Tasmania Police, Biosecurity Tasmania, the Department of Health and our own Minister's office during the COVID-19 pandemic. It was very pleasing to see the collegial way all organisations worked together for the ultimate benefit of the Tasmanian community in times when processes and procedures needed to be changed and tested almost immediately.

In February 2020 it was announced that the Flensburger Schiffbau-Gesellschaft (FSG) shipyard would not build TT-Line Company Pty Ltd's new Spirit of Tasmania vessels. The decision was mutually agreed by TT-Line and FSG.

TT-Line then, with approval from our Shareholder Ministers, signed a Memorandum of Understanding with Finnish based Rauma Marine Constructions (RMC) and commenced contract negotiations and agreed final design specifications.



The TT-Line Board submitted an updated business case to the Government, following a unanimous Board recommendation, for TT-Line to sign a new ship construction contract with RMC. That recommendation was considered and subsequently not endorsed by the Shareholder Ministers.

It was also announced during the reporting period that TT-Line will move its Victorian port operations for Spirit of Tasmania from Station Pier at Port Melbourne, to Corio Quay, north of Geelong in 2022 before the lease at Station Pier expires.

The Company's operations are often negatively impacted by significant congestion in the greater Port of Melbourne area, particularly when cruise ships are in port, which causes delays in loading and discharge of passengers and freight. The Company believes these issues will only be exacerbated in the future.

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

The new port base is also expected to lead to increased passenger growth that will benefit the Tasmanian tourism industry from markets in New South Wales, Queensland and South Australia, as well as increased passenger growth from regional Victoria.

Importantly, the Company will maintain its "last to leave, first to arrive" freight service.

The new facility will feature a dedicated freight terminal, streamlined and segregated passenger and freight entry and exit points, 150 truck parking bays and a 24/7 secure freight yard. The new freight yard will enable cargo pick up and drop off at any time, day or night, with access to heavy transport approved roads that will alleviate freight constraints of Station Pier which requires freight to be collected immediately on discharge.

In closing, I would like to thank the Chairman and all Directors for their oversight and support of the Company during the reporting period, and the Leadership Team for its ongoing hard work and strategic planning.

Again, I would also like to sincerely thank TT-Line crew and staff for their commitment to the business during what has obviously been a challenging time for them as we have managed through what has been an unprecedented period.



**Bernard Dwyer**  
Chief Executive Officer



# PUBLIC INTEREST DISCLOSURE

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

In accordance with the requirements of section 86 of the *Public Interest Disclosures Act 2002 (Tas)* (the Act),

**TT-Line advises that:**

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

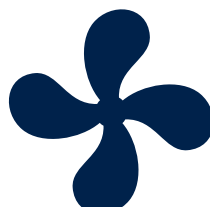


# SHIP FACTS

OWNER TT-LINE COMPANY PTY LTD BUILDER KVAERNER MASA-YARDS FINLAND  
 YEAR BUILT 1998 SHIP TYPE RO/RO PASSENGER V/L CLASS AMERICAN BUREAU OF SHIPPING  
 FIRST TT-LINE COMMERCIAL SAILING 1 SEPT 2002

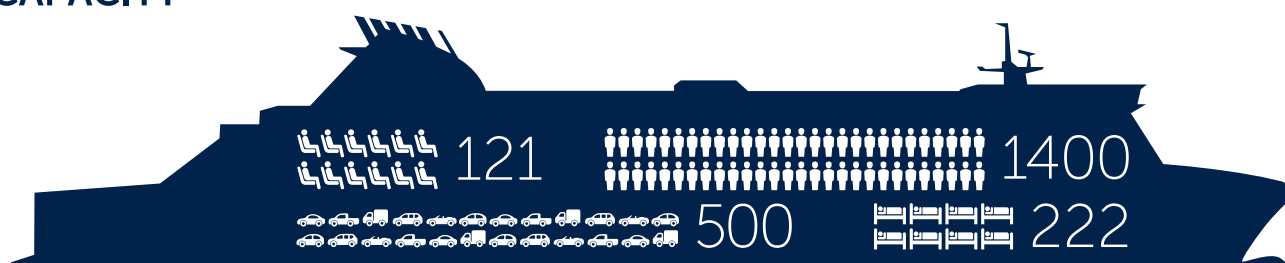


194.33<sub>M</sub>



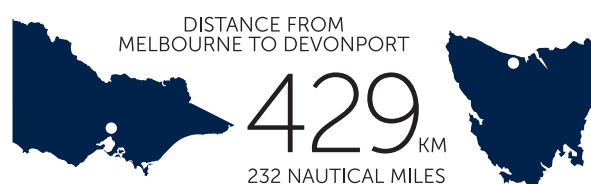
ENGINES 4X SULZER V16 TWIN  
 TURBO-CHARGED DIESELS.  
 10,560KW EACH  
 TWIN VARIABLE PITCH PROPELLERS  
 VIA REDUCTION GEARBOXES 510/147 RPM

## CAPACITY



- 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





# STATEMENT OF CORPORATE INTENT

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

## KEY PERFORMANCE MEASURES

	TARGET 2019-20	ACTUAL 2019-20	ACTUAL 2018-19
<b>FINANCIAL TARGETS</b>			
Return on Assets	7%	5%	12%
Return on Equity	8%	13%	12%
Dividends (% NPAT)	90%	70%	N/A
<b>NON-FINANCIAL TARGETS</b>			
Voyages	874	846	869
Lost Time Injuries	0	16	10
Customer Satisfaction (#/100)	93	94	93



# EXPLANATION OF NUMBERS STATEMENT<sup>1</sup>

	2020 \$'000	2019 \$'000
<b>Revenue from operations<sup>2</sup></b>		
Spirit of Tasmania	233,097	257,297
Other revenue	1,317	1,767
	<b>234,414</b>	<b>259,064</b>
<b>Expenses from operations<sup>2</sup></b>		
Spirit of Tasmania	(200,241)	(193,740)
Other expenses	(1,219)	(1,847)
	<b>(201,460)</b>	<b>(195,587)</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>32,954</b>	<b>63,477</b>
<b>Depreciation and amortisation</b>		
Spirit of Tasmania	(11,087)	(6,918)
Other	(92)	(91)
	<b>(11,179)</b>	<b>(7,009)</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>21,775</b>	<b>56,468</b>
Interest expense	(464)	(688)
Interest income and foreign currency gains	36,411	3,041
<b>Underlying profit</b>	<b>57,722</b>	<b>58,821</b>
<b>Represented as follows;</b>		
Spirit of Tasmania	57,716	58,992
Other	6	(171)
<b>Underlying profit</b>	<b>57,722</b>	<b>58,821</b>
<b>Reconciliation to audited profit for the period</b>		
Underlying profit	57,722	58,821
<u>Accounting adjustments</u>		
Revaluation of asset adjustment	(5,946)	(1,141)
Taxation (expense)/benefit	(19,306)	(13,536)
<b>Profit for the period – audited</b>	<b>32,470</b>	<b>44,144</b>

1. Explanation of the numbers statement is unaudited

2. Includes revenue and expenses from Edgewater internal operations



# OTHER IMPORTANT INFORMATION (UNAUDITED)

## ANNUAL REPORT DISCLOSURES IN ACCORDANCE WITH GOVERNMENT GUIDELINES

### Buy local

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

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

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

#### Purchases from Tasmanian businesses (including GST)

	2020
Value of purchases from Tasmanian businesses (\$'000)	41,304
Percentage of purchases from Tasmanian businesses	21%

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

Consultant	Location	Description	Engagement	2020 \$'000
AECOM Australia Pty Ltd	Victoria	Port infrastructure assessments	Adhoc	83
Corporate Communications	Tasmania	Public relations advice	Monthly Retainer	67
Edge Legal	Tasmania	Integrated workplace specialists	Adhoc	70
EllisKing Pty Ltd	Victoria	Specialised recruitment	Adhoc	85
Figura	Sweden	Interior design for vessel replacement	Adhoc	79
Foreship Ltd	Finland	Ship engineering design for vessel replacement	Adhoc	148
Halliday's Business Insights Pty Ltd	Victoria	Employee training and support	Adhoc	65
HFW Australia	Victoria	Legal representation and services for various contract negotiations.	Adhoc	912
James C Smith & Associates P/L	Victoria	Specialised food service advice	Adhoc	79
KPMG	Tasmania	Internal audit/specialised technical advice	Annual engagement	208
Page Seager	Tasmania	General legal advice	Adhoc	84
PricewaterhouseCoopers	New South Wales	Vessel replacement and port infrastructure due diligence and advice	Adhoc	160
Total				2,040
21 other consultants were engaged, each for \$50,000 or less, totalling				291
Total cost of consultants				2,331



## 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.

<b>Accounts due or paid within the year</b>	<b>2020</b>	<b>2019</b>
Creditor days	14	24

	<b>Number of invoices</b>	<b>\$'000</b>
Invoices due for payment (including GST)	22,112	307,241
Invoices paid on time (including GST)	18,207	277,823
Payments for interest or fees on overdue invoices	—	—



TT-Line Company Pty Ltd

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2020**





<b>CORPORATE GOVERNANCE.....</b>	<b>2</b>
<b>DIRECTORS' REPORT.....</b>	<b>6</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION.....</b>	<b>10</b>
<b>INDEPENDENT AUDITOR'S REPORT.....</b>	<b>11</b>
<b>DIRECTORS' DECLARATION.....</b>	<b>16</b>
<b>STATEMENT OF PROFIT OR LOSS.....</b>	<b>17</b>
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME.....</b>	<b>18</b>
<b>STATEMENT OF FINANCIAL POSITION.....</b>	<b>19</b>
<b>STATEMENT OF CHANGES IN EQUITY.....</b>	<b>20</b>
<b>STATEMENT OF CASH FLOWS.....</b>	<b>21</b>
<b>NOTES TO THE FINANCIAL STATEMENTS.....</b>	<b>22</b>
GENERAL INFORMATION.....	22
BASIS OF PREPARATION.....	22
KEY JUDGEMENTS AND ESTIMATES.....	23
NOTES TO THE FINANCIAL STATEMENTS.....	23
SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD.....	23
EVENTS AFTER THE REPORTING DATE.....	23
A – FINANCIAL PERFORMANCE.....	24
A1 Revenue and other income.....	24
A2 Expenses.....	26
A3 Taxation.....	27
A4 Cash flows.....	30
B – ASSET PLATFORM AND OPERATING LIABILITIES.....	31
B1 Cash and cash equivalents.....	31
B2 Receivables and other assets.....	31
B3 Property, plant and equipment.....	33
B4 Intangible assets – software.....	36
B5 Impairment of tangible and intangible assets.....	36
B6 Payables and other liabilities.....	37
B7 Inventories.....	37
C – PEOPLE.....	38
C1 Employee provisions.....	38
C2 Director and key management personnel compensation.....	39
C3 Post-employment benefits.....	45
D – FUNDING STRUCTURE, FINANCIAL ASSETS AND RISK MANAGEMENT.....	50
D1 Capital management.....	50
D2 Financial risk management objectives.....	50
D3 Using derivatives to hedge risk.....	52
D4 Fair value measurement of non-derivative financial instruments.....	56
E – ADDITIONAL INFORMATION.....	59
E1 Leases.....	59
E2 Auditor's remuneration.....	62
E3 Contingent assets and liabilities.....	62
E4 Related-party transactions.....	62
E5 Community Service Obligation.....	62
E6 Other accounting policies.....	62



# CORPORATE GOVERNANCE

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

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

## 1. Lay solid foundations for management and oversight

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

Accordingly, the Board is responsible for:

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

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

- in conjunction with management, considering and determining the strategic direction of the Company
- adopting annual business plans and budgets
- reviewing and assessing management's performance against strategic plans, business plans and budgets
- ensuring assets are adequate and effectively used to achieve the objectives of the Company
- recommending the Company's dividend policy

- appointing and determining conditions of service for the Chief Executive Officer (CEO), including remuneration and performance monitoring procedures
- reviewing the performance of the CEO and the executive team, in conjunction with the CEO
- ensuring timely and effective reporting on all major matters to shareholders, including through annual reports and annual business plans
- reviewing and monitoring risk management, and internal compliance and controls, with the guidance of the Audit and Risk Committee
- reviewing and monitoring compliance with all regulatory requirements and standards, including environmental, and health and safety obligations
- reviewing and approving all major company policies
- overseeing the operation and performance of all Board committees.

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

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

The committees, as at the reporting date, were:

- Audit and Risk – responsible for ensuring the Company complies with legal and regulatory obligations, the integrity of financial reporting, overseeing of external and internal audits, and the effectiveness of internal control and risk frameworks



- Remuneration – responsible for determining the remuneration and incentives policy for the CEO and senior executives, and for ensuring that the Company's remuneration policies and practices are fair and competitive
- Director Nomination – responsible for ensuring a suitable process is in place to meet the recruitment requirements of the Board
- Vessel Replacement and Procurement – responsible for the replacement and procurement of the Company's vessels.

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

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

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

## Corporate Governance Framework

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

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



## 2. Structure the Board to add value

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

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

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

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

The Board's performance is reviewed annually.

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

## 3. Act ethically and responsibly

The Company has adopted a Code of Conduct 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](http://spiritoftasmania.com.au).

The Company has an open and transparent recruitment policy that supports the 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 48 per cent of the Company's employees were female and 52 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.

## 6. Respect the rights of security holders

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

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

## 7. Recognise and manage risk

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

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

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

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

- ISO 31000 – Risk Management (international standard)
- AS 3806 (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 freight retention plan 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 freight retention plan, a dynamic yield and inventory management plan, and regular competitor analysis.
- **Major environmental disaster** – To mitigate this risk, the Company maintains a comprehensive safety management system. Trained, qualified and competent personnel are in control of the vessels, and personnel are regularly drilled in emergency response procedures, including firefighting, grounding and hull failure.
- **Adverse movement in fuel costs** – To mitigate this risk, the Company has implemented a fuel hedging strategy. This is supported by regular pricing reviews and competitor pricing analysis.

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

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

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

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

## 8. Remunerate fairly and responsibly

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

The committee approves market-based movements in remuneration as part of the annual remuneration review for the senior executive team. 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 director and executive remuneration, dated July 2018.

Directors' fees are set by the Tasmanian Government.

The Remuneration Committee formally reviews the CEO's remuneration annually, and submits recommendations to the Board for approval. The CEO conducts annual formal performance appraisals of all direct-reporting senior executive team members.



# DIRECTORS' REPORT

The Directors of TT-Line submit the annual financial report of the Company for the financial year ended 30 June 2020. 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.

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

Mr Damian Bugg joined the Board in July 2019, all other Directors held office during the entire financial year.



## Remuneration of Directors and key management personnel

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

## Principal activities

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

## Review of operations

The Company reported total revenue of \$270.7 million (2019: \$261.9 million) and a profit for the year ended 30 June 2020 of \$32.4 million (2019: \$44.1 million). The Company has been significantly impacted by COVID-19 and Government imposed travel restrictions in response to the pandemic. Financial performance for the first three quarters of the financial year were strong recording operating revenue of \$201.0 million and profit before tax of \$68.0 million. The final quarter reported a marked downturn due to COVID-19, with revenue tracking significantly lower against budget.

In the 2019/20 financial year, the Company continued its progress against its updated strategic plan.

The plan includes objectives to:

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

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

The number of sailings decreased by 3 per cent over the prior year to 842 (2019: 867). In response to the implementation of Tasmanian border restrictions due to the COVID-19 pandemic, a number of day sailings and Sunday sailings were cancelled due to low passenger

demand. During the financial year, only 351,224 passengers (2019: 446,869) travelled with the Company. The Company's ability to continue increasing the number of day sailings in peak periods is now limited, without compromising schedule reliability.

A significant improvement in freight volume is constrained as the vessels operate at capacity for the majority of high-demand periods. However, freight volumes for the year were the highest on record. This was in part due to the additional lane metres available as a result of low passenger numbers.

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

The vessels were valued at €67.5 million each as at 30 June 2020. This value is the same as the prior two years, which reflects the quality of the current vessels and reduced short-term new-build capacity. The absence of any market observable data from orderly transactions due to the COVID-19 pandemic, resulted in the Company being unable to obtain an independent valuation from its valuation experts for the current year. The Company's directors assessed the prior year valuation and determined this to be reflective of the vessels' fair value for the current year, updated for the change in foreign currency exchange rates.

The Board determined that €67.5 million represented the fair value of each ship. This valuation relies on the fact that the average decline in the value of the vessels over the past 10 years was approximately €1.05 million per annum, while over the past five years there has been a €1.1 million total increase in value. The vessels are highly regarded in the international ship market due to the rigorous maintenance schedule undertaken by the Company and the fact that they comply with the International Maritime Organisation (IMO) global cap on sulphur emissions, which came into force in January 2020. The ships are now able to use marine gas oil or very-low sulphur fuel oil, which adds to their value.

Despite the vessels holding their value this year, they are depreciating assets and their value can normally be expected to decrease each year.

In 2017, the Company completed a business case for replacing *Spirit of Tasmania I and II*. The business case was approved by the Board and the Tasmanian Government's Cabinet Sub-committee. Contracts were signed in 2018 for the new ship builds, however these contracts were mutually cancelled in early 2020. In June, the Board unanimously approved an updated business case to enter agreements with a Finnish shipyard to continue these contracts. The Government rejected this



recommendation in July 2020, referencing the economic impact of COVID-19, and announced that it is forming a taskforce including representatives from TT-Line, to investigate all opportunities to increase Tasmanian and Australian content in our New Ship Build Project. We are looking forward to the taskforce's findings.

## Subsequent events

The Directors note that the ongoing travel restrictions in response to COVID-19 will continue to adversely impact the operations of the Company. As it is unknown when restrictions may be lifted, the Directors cannot accurately quantify the ongoing impacts of the crisis.

The Shareholder Ministers announced that the Tasmanian Government would not proceed at this time with the proposed contracts for the vessel replacement project due to COVID-19 and its economic implications on 21 July 2020. As a result, all capitalised vessel replacement projects costs incurred at the reporting date (\$3.4 million) date will be expensed in the next financial year.

## Future developments

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

## Environmental regulations

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

## Dividends

A special dividend of \$30.9 million was declared and paid during the 2019/20 financial year.

## Indemnity and insurance for officers and auditors

The Company paid \$55,000 in insurance premiums for the year in respect of Directors' and officers' liability for current and former Directors of the Company.

The insurance premiums relate to:

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

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

## International travel

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

Most international travel undertaken during the year was attributable to the new ship build project to replace the current vessels.

### International travel in the year ended 30 June 2020

Position	Number of trips	Cost of travel \$'000
Directors	1	16
CEO	4	63
Company representatives	9	109

## Auditor's independence declaration

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

## Rounding off

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



## Directors' meetings

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

Director	Board		Audit and Risk Committee		Remuneration Committee		Vessel Replacement and Procurement Committee		Director Nomination Committee	
	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>
Mr M Grainger	11	11	4	4	2	2	—	—	2	2
Mr D Bugg	9	10	—	—	—	—	—	—	1	2
Capt. R Burgess	11	11	—	—	—	—	—	—	2	2
Ms S Ewart	11	11	4	4	2	2	—	—	2	2
Ms C Filson	10	11	4	4	—	—	—	—	2	2
Ms H Galloway	10	11	4	4	—	—	—	—	2	2
Mr B Dwyer	11	11	—	—	—	—	—	—	2	2

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

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

On behalf of the Directors



M Grainger



S Ewart

Directors

Hobart, 11 August 2020



11 August 2020

The Board of Directors  
TT-Line Company Pty Ltd  
PO Box 168E  
**DEVONPORT TAS 7310**

Dear Board Members

**Auditor's Independence Declaration**

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of TT-Line Company Pty Ltd for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely



Rod Whitehead  
**Auditor-General**



## 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 2020, the statements of profit or loss, 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 the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2020 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 the 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 2020 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.

...1 of 5



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
<b>Valuation of vessels and depreciation expense</b> <i>Refer to note B3</i>	
<p>The Company's vessels were recognised at fair value of \$219.63m, based on the Directors' Valuation at year end. This is a change from the prior year valuation technique, whereby an independent valuation was performed.</p> <p>The absence of any market observable data from orderly transactions due to the COVID-19 pandemic, resulted in the Company being unable to obtain an independent valuation from its valuation experts for the current year. The Company's directors assessed the prior year valuation and determined this to be reflective of the vessels' fair value for the current year, updated for the change in foreign currency exchange rates. Significant judgement was used in determining the market value of the vessels as a consequence of the effect of COVID-19 on market transactions for roll-on-roll off passenger vessels.</p> <p>The calculation of vessel depreciation, totalling \$5.10m, involves estimation of useful lives and residual values which involves a high degree of subjectivity. Changes in these assumptions underlying depreciation calculations can significantly impact the depreciation charged.</p>	<ul style="list-style-type: none"><li>• Evaluating the valuation methodology and valuation technique used to value the vessels.</li><li>• Assessing the reasonableness of the Directors' Valuation for the vessels, including their assessment of market observable data from orderly transactions.</li><li>• Evaluating the reasonableness of management's assessment of the remaining useful lives and residual values of the vessels.</li><li>• Testing the calculation of depreciation.</li><li>• Assessing the adequacy of relevant disclosures in the financial report.</li></ul>



Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<b>Revenue from the provision of services and revenue received in advance</b> <i>Refer to notes A1 and B6</i>	
<p>Revenue of \$221.96m from passenger and freight services is processed through the Company's reservation system, the majority of which is received through internet bookings. This revenue is brought to account on a voyage-by-voyage basis at the date of the vessel's departure.</p>	<ul style="list-style-type: none"> <li>Obtaining an understanding of the significant revenue arrangements in place across the Company, and of the internal controls and systems over those revenue streams, including evaluating the design and implementation of relevant application controls in the reservations system.</li> </ul>
<p>Cash received for future voyages is treated as revenue received in advance, \$8.70m, and is a significant liability at year end. The liability for 2019-20 was impacted by passenger claims for refunds due to being unable to travel as planned due to the effect of COVID-19 restrictions.</p>	<ul style="list-style-type: none"> <li>Confirming the operating effectiveness of processing controls to support the completeness, accuracy and integrity of booking transactions originating online and processed through the reservations system.</li> </ul>
<p>There is a risk revenue received in advance may be recognised as revenue before the Company has fulfilled its performance obligations in respect of that revenue.</p>	<ul style="list-style-type: none"> <li>Examining reconciliations of information from the reservation system to the general ledger.</li> <li>Obtaining direct confirmation of freight revenue charged from selected freight customers for the 11 month period to 31 May 2020.</li> <li>Performing analytical procedures to assess the reasonableness of revenue recognised.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Corporate Governance Statement and Directors' Report for the year ended 30 June 2020, but does not include the financial report and my auditor's report thereon.

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

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

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



## **Responsibilities of the Directors for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

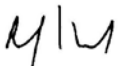


- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



Rod Whitehead  
**Auditor-General**

**Tasmanian Audit Office**

12 August 2020  
Hobart

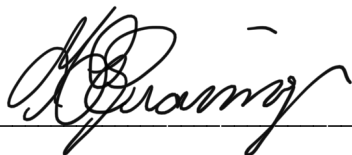


## DIRECTORS' DECLARATION

1. In the opinion of the Directors of the Company:
  - a) the financial statements and notes that are set out on pages 17 to 64 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 2020 and its performance for the financial year ended on that date; and
    - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by section 295A of the Corporations Act from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2020.
3. The Directors draw attention to page 22 of the financial statements, which includes a statement of compliance with International Financial Reporting Standards.
4. The Directors certify that the Company has met its obligations under the *Superannuation Guarantee (Administration) Act 1992* (Cth) for any employee for which the Company makes superannuation guarantee contributions who is or becomes a member of a complying superannuation scheme, or a retirement savings account other than the Contributory Scheme (section 55 of the *Public Sector Superannuation Reform Act 2016* (Tas)).

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

On behalf of the Directors



M Grainger



S Ewart

Directors

Hobart, 11 August 2020



# STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
<b>REVENUE</b>			
Operating revenue	A1	232,010	256,482
Investment revenue and foreign currency gains	A1	36,411	3,041
Other revenue	A1	2,289	2,385
Other gains	A1	(24)	8
<b>Total revenue</b>		<b>270,686</b>	<b>261,916</b>
Employee benefit expenses	A2	(76,631)	(75,050)
Other expenses	A2	(135,869)	(127,357)
Finance costs	A2	(464)	(688)
Asset revaluation	B3	(5,946)	(1,141)
<b>PROFIT BEFORE TAX</b>		<b>51,776</b>	<b>57,680</b>
Tax-equivalent (expense)	A3	(19,306)	(13,536)
<b>PROFIT FOR THE YEAR</b>		<b>32,470</b>	<b>44,144</b>

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



# STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	Note	\$'000	\$'000
<b>PROFIT FOR THE YEAR</b>		<b>32,470</b>	<b>44,144</b>
<b>Other comprehensive income/(expense) for the year, net of tax:</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Recognised actuarial gains/(losses)	C3	(189)	(532)
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	57	—
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedging reserve gains/(losses)	D3	21,652	(16,421)
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	(4,741)	3,172
<b>Total other comprehensive income/(expense) for the year, net of tax</b>		<b>16,779</b>	<b>(13,781)</b>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR</b>		<b>49,249</b>	<b>30,363</b>

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



# STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2020

		2020	2019
	Note	\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	B1	192,324	187,861
Trade and other receivables	B2	15,945	16,696
Inventories	B7	2,608	3,053
Other	B2	2,823	4,471
<b>TOTAL CURRENT ASSETS</b>		<b>213,700</b>	<b>212,081</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	B3	237,137	231,788
Intangibles	B4	1,191	1,612
Income tax receivable		—	5,782
<b>TOTAL NON-CURRENT ASSETS</b>		<b>238,328</b>	<b>239,182</b>
<b>TOTAL ASSETS</b>		<b>452,028</b>	<b>451,263</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	B6	11,142	12,296
Lease liability		3,484	—
Income tax payable		13,751	—
Provisions	C1	14,640	14,806
Other	B6	13,577	21,135
<b>TOTAL CURRENT LIABILITIES</b>		<b>56,594</b>	<b>48,237</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability (net of deferred tax asset)	A3	12,842	14,169
Lease Liability		1,055	—
Provisions	C1	10,118	9,201
Other	B6	130	26,715
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>24,145</b>	<b>50,085</b>
<b>TOTAL LIABILITIES</b>		<b>80,739</b>	<b>98,322</b>
<b>NET ASSETS</b>		<b>371,289</b>	<b>352,941</b>
<b>EQUITY</b>			
Share capital		409,981	409,981
Cash flow hedging reserve	D3	(2,896)	(19,807)
Accumulated losses		(35,796)	(37,233)
<b>TOTAL EQUITY</b>		<b>371,289</b>	<b>352,941</b>

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



# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Note	Share capital \$'000	Cash flow hedging reserve \$'000	Accumulated losses \$'000	Profits reserve \$'000	Total \$'000
<b>Balance at 1 July 2018</b>		<b>409,981</b>	<b>(6,558)</b>	<b>(60,749)</b>	<b>19,904</b>	<b>362,578</b>
Profit for the year		—	—	44,144	—	<b>44,144</b>
Transfers		—	—	19,904	(19,904)	—
Other comprehensive income/(expense) for the year	D3	—	(13,249)	(532)	—	<b>(13,781)</b>
<b>Total comprehensive income/(expense) for the year</b>		<b>—</b>	<b>(13,249)</b>	<b>63,516</b>	<b>(19,904)</b>	<b>30,363</b>
<b>Payment of dividends</b>		<b>—</b>	<b>—</b>	<b>(40,000)</b>	<b>—</b>	<b>(40,000)</b>
<b>Balance at 30 June 2019</b>		<b>409,981</b>	<b>(19,807)</b>	<b>(37,233)</b>	<b>—</b>	<b>352,941</b>
Profit for the year		—	—	32,470	—	<b>32,470</b>
Transfers		—	—	—	—	—
Other comprehensive income/(expense) for the year	D3	—	16,911	(132)	—	<b>16,779</b>
<b>Total comprehensive income/(expense) for the year</b>		<b>—</b>	<b>16,911</b>	<b>32,338</b>	<b>—</b>	<b>49,249</b>
<b>Payment of dividends</b>		<b>—</b>	<b>—</b>	<b>(30,901)</b>	<b>—</b>	<b>(30,901)</b>
<b>Balance at 30 June 2020</b>		<b>409,981</b>	<b>(2,896)</b>	<b>(35,796)</b>	<b>—</b>	<b>371,289</b>

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



# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		268,792	303,417
Interest and foreign currency gains received		36,509	2,959
Cash payments in the course of operations		(246,446)	(246,779)
Interest paid		(167)	(297)
Income tax paid		(5,785)	(14,732)
<b>Net cash provided by operating activities</b>	<b>A4</b>	<b>52,903</b>	<b>44,568</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from the sale of property, plant and equipment		199	158
Payments for property, plant and equipment and major cyclical maintenance		(14,463)	(14,766)
Dividend paid		(30,901)	(40,000)
<b>Net cash (used) by investing activities</b>		<b>(45,165)</b>	<b>(54,608)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		(3,274)	–
<b>Net cash provided by financing activities</b>		<b>(3,274)</b>	<b>–</b>
Net increase in cash held		4,464	(10,040)
Cash and cash equivalents at the beginning of the financial year		187,861	197,901
<b>Cash and cash equivalents at the end of the financial year</b>		<b>192,325</b>	<b>187,861</b>

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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

## General information

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

No. 1 Berth, The Esplanade

East Devonport Tasmania 7310

Telephone: (03) 6419 9000

Facsimile: (03) 6419 9345

The Company is a for-profit entity and its principal activities are providing commercial passenger, vehicle and freight shipping services between Tasmania and mainland Australia. 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 and Interpretations, and comply with other requirements of the law.

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

The Directors authorised the financial statements for issue on 11 August 2020.

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

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

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

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

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



## Key judgements and estimates

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

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

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

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

## Notes to the financial statements

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

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

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

These sections comprise:

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

## Significant changes in the current reporting period

The spread of COVID-19 was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by governments, which have had significant impacts on the Company's operations. Border closures and travel restrictions have led to the closure of the Edgewater Hotel to commercial occupancy from April 2020. It also caused a significant drop in passenger numbers on the vessels. This resulted in a 50 per cent decrease in operating revenue in the final quarter of the 2019/20 financial year, compared to the same period in 2018/19.

## Events after the reporting date

The Shareholder Ministers announced on 21 July 2020 that the Tasmanian Government would not proceed with the proposed contracts for the vessel replacement project at this time due to COVID-19 and its economic implications. As a result, all capitalised vessel replacement project costs incurred as at the reporting date (\$3.4 million) will be expensed in the next financial year.



## A – Financial performance

This section provides further information in respect to the financial performance of the Company for the year ended 30 June 2020. The focus is on revenue, expenses and cash flow disclosures. Certain operational expenses such as impairments are disclosed in the notes with the associated operating asset or liability in section B 'Asset platform and operating liabilities'. Employee-related expenses are disclosed in section C 'People'.

### A1 Revenue and other income

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

	2020	2019 <sup>1</sup>
Disaggregation of revenue	\$'000	\$'000
Revenue from the provision of passenger services	122,152	147,500
Revenue from the provision of freight services	99,804	95,830
Revenue from the sale of goods on-board (including food and beverages)	8,416	10,971
Revenue from the provision of hotel services (including accommodation, food and beverages)	1,025	1,391
Revenue from rental agreements and gaming	613	790
<b>Operating revenue</b>	<b>232,010</b>	<b>256,482</b>
<b>Investment revenue and foreign currency gains<sup>2</sup></b>	<b>36,411</b>	<b>3,041</b>
<b>Other revenue<sup>3</sup></b>	<b>2,289</b>	<b>2,385</b>
<b>Other gains/(losses)<sup>4</sup></b>	<b>(24)</b>	<b>8</b>
<b>Total operating revenue</b>	<b>270,686</b>	<b>261,916</b>

1. Prior year comparatives have been restated to reflect commissions and fees associated with customer acquisition as expenses (2019: \$1.6 million)

2. Interest income and gains on foreign currency instruments

3. Insurance recoveries.

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

	July–March		April–June	
Disaggregation of revenue	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Revenue from the provision of passenger services	117,197	113,721	4,955	33,779
Revenue from the provision of freight services	73,898	70,825	25,906	25,005
<b>Total</b>	<b>191,095</b>	<b>184,546</b>	<b>30,861</b>	<b>58,785</b>

### Recognition and measurement

#### Revenue from the provision of passenger and freight services

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

Payment terms depend on the customer contract. Bookings are either paid at the time of booking (82 per cent of bookings were paid at the time of booking compared to 76 per cent last year) or in arrears and recognised as a receivable in the balance sheet. See B2 'Receivables and other assets' for further details.

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

In March 2020, travel restrictions were imposed in response to the COVID-19 pandemic. This resulted in a significant decline in revenue from the provision of passenger services in the last quarter of 2019/20. During this quarter, passenger numbers decreased by 88 per cent compared to the same period in the prior year, while freight volumes increased by 5 per cent.

#### Revenue from the sale of goods on-board

Revenue from on-board trading activities is recognised on a point-of-sale basis. Goods for sale include food and



beverages and miscellaneous items including Tasmanian souvenirs. Most sales take place during sailing, with few items available for pre-purchase.

Due to travel restrictions, there was a significant decline in revenue from the sale of goods on board in the last quarter of 2019/20. On-board food and beverage services were adversely impacted by the decline in passenger numbers, and retail outlets were closed from April 2020.

#### **Revenue from the provision of hotel services**

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

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

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

All commercial hotel services were suspended from April 2020 in response to the trading restrictions imposed by the government in response to the COVID-19 pandemic.

#### **Revenue from rental agreements and gaming**

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

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

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

Rental from gaming was suspended from April 2020 in response to the trading restrictions imposed by the government in response to the COVID-19 pandemic.

#### **Investment revenue**

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

#### **Other revenue**

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



## A2 Expenses

Profit from continuing operations was calculated after charging the following expenses.

	2020	2019
<b>Employee benefit expenses</b>	<b>\$'000</b>	<b>\$'000</b>
Defined contribution plans	5,516	5,446
Defined benefit plans	206	194
Termination benefits <sup>1</sup>	1,213	238
Other employee benefits	69,696	69,172
<b>Total employee benefit expenses</b>	<b>76,631</b>	<b>75,050</b>

	2020	2019
<b>Other expenses</b>	<b>\$'000</b>	<b>\$'000</b>
Depreciation <sup>2</sup>	9,637	5,353
Amortisation <sup>3</sup>	1,542	1,656
Terminal operations	31,411	33,554
Administration <sup>4</sup>	13,269	11,676
Security	3,765	3,703
Food and beverages	2,921	3,882
Consumables	5,006	5,389
Repairs and maintenance	11,319	11,424
Marine fuel and oil	44,394	34,880
Customer acquisition <sup>5</sup>	12,605	15,840
<b>Total other expenses</b>	<b>135,869</b>	<b>127,357</b>

		2020	2019
<b>Finance costs</b>	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
Interest cost – defined benefit superannuation plan	C3	296	391
Interest cost – foreign currency accounts		—	297
Interest cost – leases		168	
<b>Total finance costs</b>		<b>464</b>	<b>688</b>

1. Annual leave, long service leave and other entitlements paid on termination.
2. Depreciation includes \$3.4 million of depreciation costs related to the newly introduced accounting standard AASB 16 *Leases* for right-of-use lease assets brought onto the balance sheet effective 1 July 2019.
3. Leasehold improvements and intangibles.
4. The impairment allowance for receivables and other assets (note B2: 'Receivables and other assets') for the reporting period is immaterial and has been included as an administration cost.
5. Prior year amounts for customer acquisition have been restated by \$1.6 million to reflect the cost of customer fees and commissions.

## Recognition and measurement

### Employee benefit expenses

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

### Depreciation and amortisation

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



### A3 Taxation

Under instructions from the Treasurer of Tasmania, the Company is subject to the National Taxation Equivalent Regime (NTER), 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.

	2020	2019
<b>Tax-equivalent expense</b>	<b>\$'000</b>	<b>\$'000</b>
Origination and reversal of temporary differences:		
Increase in deferred tax liability	(5,115)	2,936
Increase in deferred tax asset	6,442	10,599
Increase in provision for income tax payable	14,215	–
Increase in prior year income tax expense (30 June 2019)	3,764	–
<b>Total tax-equivalent expense</b>	<b>19,306</b>	<b>13,535</b>

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

	2020	2019
<b>Current-period tax expense reconciliation</b>	<b>\$'000</b>	<b>\$'000</b>
Profit before tax-equivalent expense	51,776	57,680
<b>Prima facie tax-equivalent expense<sup>1</sup></b>	<b>15,533</b>	<b>17,140</b>
Non-deductible entertainment	9	2
Derecognise DTA/DTL due to shipping exemption <sup>2</sup>	–	11,825
Net exempt income	–	(15,432)
Prior period adjustment reflecting re-recognition of DTA / DTL and assessable income from shipping activities	3,764	–
<b>Tax-equivalent expense recognised in the current period<sup>3</sup></b>	<b>19,306</b>	<b>13,536</b>

1. The tax rate used for the 2020 reconciliation is the corporate tax rate of 30 per cent (2019 30 per cent) payable by Australian corporate entities on taxable profits under Australian tax law.

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

3. Related to continuing operations.

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

	2020	2019
<b>Tax recognised in other comprehensive income</b>	<b>\$'000</b>	<b>\$'000</b>
Tax-equivalent impact of actuarial (losses)/gains	(57)	–
Tax-equivalent impact of revaluation in cash flow hedging reserve	4,741	(3,172)
<b>Net tax-equivalent (benefit)/expense attributable to transactions recognised in other comprehensive income</b>	<b>4,684</b>	<b>(3,172)</b>



## Recognition and measurement

### Current tax

The tax currently payable is based on taxable profit for the period ended 30 June 2020. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other periods, as well as items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were enacted or substantively enacted by the end of the reporting period.

In the prior year revenue associated with operating *Spirit of Tasmania I and II* was deemed exempt from income tax from 26 November 2018 pursuant to section 51-100 of the *Income Tax Assessment Act 1997* (Cth). On the 1 December 2019 the Treasurer issued Instruction GBE 13-114-13P *National Taxation Equivalent Regime – Treatment of Benefits conferred under the Shipping Reform (Tax Incentives) Act 2012* which clarified that any benefit conferred under the *Shipping Reform (Tax Incentive) Act 2012* is void for the Company for the purposes of the NTER. As a result, revenue that was treated as exempt in 2018-19, has been recognised as taxable income in 2019-20. The adjustment to account for the change in tax treatment has been recognised in the tax-equivalent expense for 2019-20.

### Deferred tax

Deferred tax is based on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used to calculate taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used. These

deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

### Tax benefits not recognised

Tax benefits not recognised as deferred tax assets were capital losses of \$116,000 (2019: \$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 2019	Recognised in profit or loss (prior periods)	Recognised in profit or loss (movement)	Recognised in other comprehensive income	Balance at 30 June 2020
2020		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax assets</b>	Employee provisions	47	7,014	134	–	7,195
	Right-of-use	–	–	36	–	36
	Other accruals	–	102	10	–	112
	Derivative asset – hedging	–	7,737	–	(6,496)	1,241
	Tax losses	2,407	(2,407)	–	–	–
	Vessel replacement expenditure	–	216	96	–	312
	<b>Total deferred tax assets</b>	<b>2,454</b>	<b>12,662</b>	<b>276</b>	<b>(6,496)</b>	<b>8,896</b>
<b>Deferred tax liabilities</b>	Consumables	–	(518)	192	–	(326)
	Property, plant and equipment	(16,623)	(1,915)	(2,286)	–	(20,824)
	Provisions	–	(628)	40	–	(588)
	<b>Total deferred tax liabilities</b>	<b>(16,623)</b>	<b>(3,061)</b>	<b>(2,054)</b>	<b>–</b>	<b>(21,738)</b>
	<b>Net deferred tax liabilities</b>	<b>(14,169)</b>	<b>9,601</b>	<b>(1,778)</b>	<b>(6,496)</b>	<b>(12,842)</b>

		Balance at 1 July 2018	Recognised in profit or loss (prior periods)	Recognised in profit or loss (movement)	Recognised in other comprehensive income	Balance at 30 June 2019
2019		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax assets</b>	Employee provisions	6,696	–	(6,649)	–	47
	Other provisions	–	–	–	–	–
	Other accruals	85	–	(85)	–	–
	Derivative asset – hedging	2,811	–	(5,983)	3,172	–
	Tax losses	–	–	2,407	–	2,407
	Vessel replacement expenditure	289	–	(289)	–	–
	<b>Total deferred tax assets</b>	<b>9,881</b>	<b>–</b>	<b>(10,599)</b>	<b>3,172</b>	<b>2,454</b>
<b>Deferred tax liabilities</b>	Consumables	(369)	–	369	–	–
	Property, plant and equipment	(12,871)	–	(3,752)	–	(16,623)
	Provisions	(446)	–	446	–	–
	<b>Total deferred tax liabilities</b>	<b>(13,686)</b>	<b>–</b>	<b>(2,937)</b>	<b>–</b>	<b>(16,623)</b>
	<b>Net deferred tax liabilities</b>	<b>(3,805)</b>	<b>–</b>	<b>(13,536)</b>	<b>3,172</b>	<b>(14,169)</b>



## A4 Cash flows

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

	2020	2019
Cash provided by operating activities	\$'000	\$'000
<b>Profit for the year</b>	<b>32,470</b>	<b>44,144</b>
Gain/(loss) on the sale assets	24	(8)
Asset fair value decrement	5,946	1,141
Depreciation	6,244	5,353
Depreciation of right-of-use asset	3,393	—
Amortisation	1,542	1,656
Non-cash income tax expense/(benefit)	13,521	(1,196)
<b>Movements in working capital</b>		
(Increase)/decrease in trade and other receivables	751	(2,734)
(Increase)/decrease in inventories	445	(318)
(Increase)/decrease in prepaid expenses and other	314	(609)
Increase/(decrease) in trade and other payables	(1,154)	(3,170)
Increase/(decrease) in revenue received in advance	(11,155)	(329)
Increase/(decrease) in provisions <sup>1</sup>	562	638
<b>Net cash provided by operating activities</b>	<b>52,903</b>	<b>44,568</b>

1. Excluding movements in provisions through equity.

## Recognition and measurement

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



## B – Asset platform and operating liabilities

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

### B1 Cash and cash equivalents

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

	2020	2019
<b>Cash and cash equivalents</b>	<b>\$'000</b>	<b>\$'000</b>
Cash on hand	56	123
Cash at bank	192,268	187,738
<b>Total cash and cash equivalents</b>	<b>192,324</b>	<b>187,861</b>

The current year cash at bank includes \$81.0 million of restricted funds. These funds have been received from the legislated vessel replacement fund. Total unrestricted cash and cash equivalents at the reporting date is \$111.3 million (2019 \$45.0 million).

### B2 Receivables and other assets

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

	2020	2019
<b>Trade and other receivables</b>	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	13,896	13,633
Allowance for impairment	–	–
<b>Total trade receivables</b>	<b>13,896</b>	<b>13,633</b>
Other receivables	2,049	3,063
<b>Total trade and other receivables</b>	<b>15,945</b>	<b>16,696</b>

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 ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, an informed credit assessment and forward-looking information.

The Company's assessment is made on an individual basis. The tourism industry has been adversely affected by the COVID-19 pandemic and the associated travel restrictions imposed in March 2020. The impact of this on an individual customer's ability to meet payment commitments on time has also been considered in the current-year review of ECL.

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

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

	2020	2019
<b>Ageing past due but not impaired</b>	<b>\$'000</b>	<b>\$'000</b>
Not past due	11,642	8,355
0–30 days	3,780	5,054
31–60 days	360	219
>60 days	163	5
<b>Total ageing past due but not impaired</b>	<b>15,945</b>	<b>13,633</b>

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

	2020	2019
<b>Other assets</b>	<b>\$'000</b>	<b>\$'000</b>
Derivative asset – fuel and foreign currency hedge <sup>1</sup>	874	2,208
Prepaid expenses and other	1,949	2,263
<b>Total other assets</b>	<b>2,823</b>	<b>4,471</b>
Current	2,823	4,471
Non-current	–	–
<b>Total other assets</b>	<b>2,823</b>	<b>4,471</b>

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



## Recognition and measurement

The average credit period taken on all sales of goods and services was 25 days (2019: 23 days). No interest is charged on trade receivables.

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

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

At the reporting date, no material receivables were individually determined to be impaired. Additional provisions regarding extending payment timeframes have been allowed to support businesses where they have been adversely affected by the imposed travel restrictions. As a result, there has been no material movement in the allowance for doubtful debts during the year. Accordingly, the Directors believe no further credit provision is required in excess of the allowance for impairment.

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

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



### B3 Property, plant and equipment

The reconciliation of the opening and closing balances of property, plant and equipment at 30 June 2020 is shown below.

	Vessels at fair value (level 3)	Leasehold improvements at cost	Plant and equipment at cost	Buildings at fair value (level 3)	Freehold land at cost	Right-of-use (ROU) at cost	Capital works in progress at cost	Total
Property, plant and equipment	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross book value	212,665	16,099	13,452	2,163	500	–	825	245,704
Accumulated depreciation	–	(10,368)	(10,763)	(83)	–	–	–	(21,214)
<b>Closing net book value at 30 June 2018</b>	<b>212,665</b>	<b>5,731</b>	<b>2,689</b>	<b>2,080</b>	<b>500</b>	<b>–</b>	<b>825</b>	<b>224,490</b>
<b>Movements in net book value</b>								
Acquisitions	3,531	65	1,116	169	–	–	1,242	6,123
Major cyclical maintenance	8,299	–	–	–	–	–	–	8,299
Disposals	–	–	(150)	–	–	–	–	(150)
Depreciation and amortisation	(4,149)	(484)	(1,109)	(91)	–	–	–	(5,833)
Asset revaluation	(1,183)	–	–	42	–	–	–	(1,141)
Gross book value	219,163	16,164	13,670	2,200	500	–	2,067	253,764
Accumulated depreciation	–	(10,852)	(11,124)	–	–	–	–	(21,976)
<b>Closing net book value at 30 June 2019</b>	<b>219,163</b>	<b>5,312</b>	<b>2,546</b>	<b>2,200</b>	<b>500</b>	<b>–</b>	<b>2,067</b>	<b>231,788</b>
Recognition of ROU assets	–	–	–	–	–	7,813	–	7,813
<b>Net book value 1 July 2019</b>	<b>219,163</b>	<b>5,312</b>	<b>2,546</b>	<b>2,200</b>	<b>500</b>	<b>7,813</b>	<b>2,067</b>	<b>239,601</b>
<b>Movements in net book value</b>								
Acquisitions	1,906	212	722	10	–	–	1,363	4,213
Major cyclical maintenance	9,614	–	–	–	–	–	–	9,614
Disposals	–	–	(223)	–	–	–	–	(223)
Depreciation and amortisation	(5,103)	(495)	(1,037)	(93)	–	(3,394)	–	(10,122)
Asset revaluation	(5,946)	–	–	–	–	–	–	(5,946)
Gross book value	219,634	16,376	13,849	2,210	500	7,812	3,430	263,811
Accumulated depreciation	–	(11,347)	(11,841)	(93)	–	(3,394)	–	(26,675)
<b>Closing net book value at 30 June 2020</b>	<b>219,634</b>	<b>5,029</b>	<b>2,008</b>	<b>2,117</b>	<b>500</b>	<b>4,419</b>	<b>3,430</b>	<b>237,137</b>



## Recognition and measurement

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

### *Fair value:*

- vessels
- buildings

### *Cost:*

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

### *Fair value*

Vessels and buildings are recorded in the statement of financial position at fair value under AASB 13. 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 2020, the Company has not engaged an independent valuer to undertake the vessel valuation. Due to the impacts of COVID-19, there has been limited market evidence in order for an independent valuation to be undertaken. Instead, a directors' valuation has been adopted. In the absence of appropriate market-observable data, the directors decided, based on their own assessment and evidence, that the fair value of the vessels at 30 June 2020 was best represented by the 2019 independent valuation, adjusted for exchange rate movements.

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

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, \$49.7 million of impairment expense recognised in profit or loss in previous years relating to the current vessels and

Edgewater Hotel may be credited to the profit in future periods should the fair value of the vessels exceed the carrying amount as at the date of measurement of 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**

The vessel valuation at 30 June 2020 is based on a directors' valuation, which concluded that the 2019 independent valuation, adjusted for exchange rate movements, was the most appropriate basis for determining fair value at reporting date.

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

The valuation of each vessel, in Australian dollars, increased from \$109.6 million to \$109.8 million between 2019 and 2020. The value in euros has remained the same at €67.5 million. The \$0.5 million increase in the fair value of both vessels was the result of a favourable movement in the Australian dollar and euro exchange rate. In addition to the \$0.5 million increase in fair value for both vessels during the year, they were depreciated \$5.1 million during the year and also underwent \$11.5 million worth of improvements and periodic maintenance. The result of these movements was a \$5.9 million vessel revaluation decrement, which is recognised in the statement of profit or loss.

If the vessels, plus any additions (excluding periodic maintenance) had been carried at cost, the depreciated carrying value of both vessels would be \$217.7 million.



## Buildings

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

Asset revaluation recognised in profit or loss	2020 \$'000	2019 \$'000
<b>Vessels</b>		
Increase/(decrease) in fair value	471	6,498
Improvements and periodic maintenance	(11,520)	(11,830)
<b>Gross revaluation (decrement)</b>	<b>(11,049)</b>	<b>(5,332)</b>
Depreciation	5,103	4,149
<b>Vessel revaluation recognised in profit or loss</b>	<b>(5,946)</b>	<b>(1,183)</b>
<b>Buildings</b>		
Increase in fair value	—	50
Improvements	—	(182)
<b>Gross revaluation increment</b>	<b>—</b>	<b>(132)</b>
Depreciation	—	174
<b>Building revaluation recognised in profit or loss</b>	<b>—</b>	<b>42</b>
<b>Total asset revaluation recognised in profit or loss</b>	<b>(5,946)</b>	<b>(1,141)</b>

## Depreciation

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

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

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

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

## Estimations

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

The expected useful lives of the vessels have increased from 25 years to 30 years as a result of the deferral of the contracts for the new ship builds. The original estimated useful lives of the vessels were 30 years. They are expected to be replaced before 2028.

The residual value of the vessels has also been revised with consideration of their current market value and the increased remaining useful life. The estimated residual value has decreased to \$108.3 million from \$109.5 million.

A 10 per cent increase in the residual value of the vessels would result in nil depreciation in the statement of profit or loss, and no change in the carrying value of property, plant and equipment in the statement of financial position, as the residual value would have increased to greater than the carrying amount of the vessels. A 10 per cent decrease in the residual value of the vessels would result in a \$2.4 million increase in depreciation in the statement of profit or loss and a corresponding \$2.4 million decrease in the carrying value of property, plant and equipment in the statement of financial position.

A one-year increase or decrease in the vessels' remaining estimated economic lives would not result in a material change in depreciation in the statement of profit or loss or a change in the carrying value of property, plant and equipment in the statement of financial position as the residual value is close to the carrying value.



### Derecognition of property, plant and equipment

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

### Capital expenditure

As at the reporting date the Company had committed capital expenditure for the vessels' annual dry dock of \$4.0 million (2019: \$6.2 million dry dock and \$758.1 million vessel new build). Subsequent to year end, the annual dry dock has been delayed and future dry docking commitments are being planned.

### B4 Intangible assets – software

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

	2020	2019
<b>Intangible assets – software</b>	<b>\$'000</b>	<b>\$'000</b>
Gross book value	8,360	8,017
Accumulated amortisation	(6,748)	(5,576)
<b>Opening net book value at 1 July</b>	<b>1,612</b>	<b>2,441</b>
Acquisitions	637	343
Amortisation	(1,058)	(1,172)
Gross book value	8,997	8,360
Accumulated amortisation	(7,806)	(6,748)
<b>Closing net book value at 30 June</b>	<b>1,191</b>	<b>1,612</b>

### Recognition and measurement

#### Intangible assets acquired separately

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

### Useful life

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

### Derecognition of intangible assets

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

### B5 Impairment of tangible and intangible assets

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

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

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

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



loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## B6 Payables and other liabilities

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

	2020	2019
Trade and other payables	\$'000	\$'000
Trade and other payables	11,142	12,296

	2020	2019
Other liabilities	\$'000	\$'000
Derivative liability – fuel hedge	5,012	11
Derivative liability – foreign currency hedge	–	27,988
Revenue received in advance and other liabilities	8,695	19,851
<b>Total other liabilities</b>	<b>13,707</b>	<b>47,850</b>
Current	13,577	21,135
Non-current	130	26,715
<b>Total other liabilities</b>	<b>13,707</b>	<b>47,850</b>

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

Revenue has been received in advance for 10,024 bookings (2019 24,481) for future sailings and the ageing profile at the reporting date is shown below.

Revenue received in advance	2020	2019
Ageing profile	\$'000	\$'000
Overpaid	66	100
1–3 months	8,144	19,345
4–6 months	69	39
6–12 months	25	28
>12 months	2	5
<b>Total revenue in advance</b>	<b>8,306</b>	<b>19,518</b>

## Recognition and measurement

Trade payables are carried at the amount owing to counterparties for goods and services provided, which is

the invoice amount that remains unpaid. It includes both domestic and international non-interest-bearing creditors.

The average credit period received on purchases of goods and services was 14 days (2019: 23 days). The Company has financial risk management policies in place to ensure payables are paid within pre-arranged credit terms where practical.

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

## B7 Inventories

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

	2020	2019
Inventories	\$'000	\$'000
Marine fuel	1,086	1,677
Maintenance stock	872	873
Food and beverage stock	650	503
<b>Total inventories</b>	<b>2,608</b>	<b>3,053</b>

## 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 \$52.7 million (2019: \$55.8 million).



## C – People

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

### C1 Employee provisions

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

	2020	2019
Provisions	\$'000	\$'000
Workers compensation <sup>1</sup>	776	473
Long service leave	9,064	8,710
Annual leave	7,005	7,096
Defined benefit obligation <sup>2</sup>	7,913	7,728
<b>Total provisions</b>	<b>24,758</b>	<b>24,007</b>
Current	14,640	14,806
Non-current	10,118	9,201
<b>Total provisions</b>	<b>24,758</b>	<b>24,007</b>

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

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

### Recognition and measurement

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

The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash

flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

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

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

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

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



## C2 Director and key management personnel compensation

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

	Director remuneration <sup>1</sup>		Executive remuneration <sup>2</sup>		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Director and key management personnel compensation</b>						
Short-term employee benefits	301	283	3,193	3,046	3,494	3,329
Post-employment benefits	27	27	239	223	266	250
Long-term benefits	—	—	(80)	110	(80)	110
Termination benefits	—	—	198	—	198	—
<b>Total</b>	<b>328</b>	<b>310</b>	<b>3,550</b>	<b>3,379</b>	<b>3,878</b>	<b>3,689</b>

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 includes base salary, incentive payments, vehicles, other benefits and other non-monetary benefits. Post-employment benefits represent superannuation contributions and other Long-term employee benefits, including leave movements. Termination benefits are provided for below.

### Remuneration principles

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

#### Non-executive Directors

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

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

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

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

#### Key management personnel

The Company has a Board-endorsed remuneration policy that is consistent with the Tasmanian Department of Treasury and Finance's guidelines for director and executive remuneration dated July 2019. Under these guidelines, the remuneration band for the CEO is

determined by the Government Business Executive Remuneration Advisory Panel. Positioning within the bands depends on the complexity and size of the business, and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's remuneration.

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

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

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

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



### **Incentive payments**

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

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

The following short-term incentive payments were awarded during the current year for exceeding financial and non-financial targets in the previous reporting year.

<b>Short-term incentives</b>	<b>2020</b>
Mr P Davis	26,000
Mr N Harriman	31,000
Ms K Holandsjo	29,000
Ms A Johnson	6,000
Mr K Maynard	12,000
Mr J McGrath	41,000
Capt. S Michael	35,000
Mr S Pearce	23,000
Ms E Panos	11,000
Ms K Sayers	38,000
Mr I Whitechurch	21,000

### **Termination benefits**

A termination payment of \$198,000 was made to Captain S Michael during the current year.

Captain S Michael resigned and ceased employment in November 2019. The termination payment represented the balance of accrued annual and long service leave and pay in lieu of notice.

### **Acting arrangements**

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

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

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



## Directors' remuneration

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

		Directors' fees	Committee fees	Superannuation <sup>2</sup>	Total
2020 Director remuneration <sup>1</sup>	Period	\$'000	\$'000	\$'000	\$'000
<b>Non-executive Directors</b>					
Mr M Grainger – Chairman	Full term	81	5	8	94
Mr D Bugg	From July 2019	34	—	3	37
Captain R Burgess	Full term	41	—	4	45
Ms S Ewart	Full term	41	7	4	52
Ms C Filson	Full term	41	5	4	50
Ms H Galloway	Full term	41	5	4	50
<b>Executive Director<sup>3</sup></b>					
Mr B Dwyer – CEO	Full year	—	—	—	—
<b>Total</b>		<b>279</b>	<b>22</b>	<b>27</b>	<b>328</b>

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

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

2. Superannuation means the contribution to the superannuation fund of the individual.

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



## Executive remuneration

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

	Base salary <sup>2</sup>	Incentive payments <sup>3</sup>	Superannuation <sup>4</sup>	Vehicles <sup>5</sup>	Other monetary benefits <sup>6</sup>	Other non-monetary benefits <sup>7</sup>	Total remuneration	Termination benefits <sup>8</sup>	Other long-term benefits <sup>9</sup>	Total
2020 Executive remuneration <sup>1</sup>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mr B Dwyer CEO (full year)	450	—	21	23	1	—	495	—	21	516
Mr P Davis <sup>10</sup> General Manager Port Operations Seconded Head of Strategic Projects (full year)	200	26	21	15	1	—	263	—	10	273
Captain R Hall General Manager Marine Operations (from March 2020)	70	—	5	—	7	—	82	—	8	90
Mr N Harriman General Manager Retail and Hospitality (full year)	242	31	24	20	1	3	321	—	—	321
Ms K Holandsjo General Manager Passenger Sales (full year)	199	29	21	16	1	6	272	—	1	273
Ms A Johnson <sup>11</sup> Acting General Manager Port Operations (full year)	137	6	14	16	—	—	173	—	18	191
Mr K Maynard General Manager Corporate Services (full year)	205	12	21	14	1	24	277	—	(1)	276
Mr J McGrath General Manager Human Resources (full year)	285	41	25	22	1	2	376	—	(8)	368
Captain S Michael General Manager Marine Operations (to November 2019)	131	35	13	10	—	—	189	198	(187)	200
Mr S Pearce Chief Information Officer (full year)	202	23	21	15	1	—	262	—	18	280
Ms E Panos <sup>12</sup> General Manager Marketing (full year)	66	11	8	—	10	—	95	—	10	105
Ms K Sayers Chief Financial Officer (full year)	292	38	25	18	1	—	374	—	24	398
Mr I Whitechurch General Manager Freight Sales (full year)	190	21	20	17	1	4	253	—	6	259
<b>Total</b>	<b>2,669</b>	<b>273</b>	<b>239</b>	<b>186</b>	<b>26</b>	<b>39</b>	<b>3,432</b>	<b>198</b>	<b>(80)</b>	<b>3,550</b>



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



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

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

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

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

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

6. Other monetary benefits includes all other forms of employment allowances (excluding expense reimbursements) and other compensation paid and payable, including motor vehicle allowances and salary continuance insurance (current reporting year only).

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

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

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

10. Mr P Davis is the General Manager Port Operations. From July 2019 Mr Davis was seconded to the role of Head of Strategic Projects.

11. Ms A Johnson was appointed as acting General Manager Port Operations for the full financial year.

12. Ms E Panos is a member of the key management personnel for the full year, and she has had seven months leave without pay for the current and four months during the prior reporting period.



### C3 Post-employment benefits

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

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

	2020	2019
<b>Reconciliation of the net defined benefit liability</b>	<b>\$'000</b>	<b>\$'000</b>
Defined benefit obligation	9,301	9,197
Fair value of scheme assets	(1,388)	(1,469)
<b>Net defined benefit liability</b>	<b>7,913</b>	<b>7,728</b>
Current	98	71
Non-current	7,815	7,657
<b>Net defined benefit liability</b>	<b>7,913</b>	<b>7,728</b>

	2020	2019
<b>Reconciliation of the defined benefit obligation</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Present value of defined benefit obligation at the beginning of the period</b>	<b>9,197</b>	<b>9,178</b>
Current service cost	206	194
Interest cost	297	391
Contributions by plan participants	39	48
Actuarial (gains)/losses arising from changes in demographic assumptions	(124)	–
Actuarial (gains)/losses arising from changes in financial assumptions	(107)	1,511
Actuarial (gains)/losses arising from liability experience	(92)	(731)
Benefits paid	(115)	(1,394)
Estimated taxes, premiums and expenses paid	–	–
<b>Present value of defined benefit obligation at the end of the period</b>	<b>9,301</b>	<b>9,197</b>

	2020	2019
<b>Reconciliation of the fair value of scheme assets</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Fair value of fund assets at the beginning of the period</b>	<b>1,469</b>	<b>1,506</b>
Interest income	48	65
Actual return on plan assets less interest income	(134)	248
Employer contributions	81	996
Contributions by plan participants	39	48
Benefits paid	(115)	(1,394)
Taxes, premiums and expenses paid	–	–
<b>Fair value of fund assets at the end of the period</b>	<b>1,388</b>	<b>1,469</b>

#### Plan information

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

#### Regulatory framework

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

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

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

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



## Governance responsibilities

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

## Recognition and measurement

### Valuation techniques

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

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

Remeasurement, comprising actuarial gains and losses, the effect of the changes 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 cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as:

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

	2020	2019
<b>Costs recognised in profit or loss</b>	<b>\$'000</b>	<b>\$'000</b>
Current service	204	194
Interest	297	391
<b>Components of defined benefit cost recognised in profit or loss</b>	<b>501</b>	<b>585</b>

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.

	2020	2019
<b>Components recognised in other comprehensive income:</b>	<b>\$'000</b>	<b>\$'000</b>
Actuarial (gains)/losses arising from changes in demographic assumptions	(124)	–
Actuarial (gains)/losses arising from changes in financial assumptions	(107)	1,511
Actuarial (gains)/losses arising from liability experience	(92)	(731)
Actual return on plan assets less interest income	134	(248)
<b>Components of defined (benefit)/cost recognised in other comprehensive income</b>	<b>(189)</b>	<b>532</b>

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



## Risks

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

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

## Significant events

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



### Fair value of fund assets

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

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

Assets are not held separately for each reporting entity, such as TT-Line, but are held for the fund as a whole. The fair value of scheme assets for each reporting entity was estimated by allocating the total fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in the report prepared by the state's actuary (Mercer), dated 14 July 2020, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity, the state's actuary has used the government bond yield of 1.60 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
2020 <sup>1</sup>	\$'000	\$'000	\$'000	\$'000
<b>Asset category</b>				
Cash and cash equivalents	–	–	–	–
Equity instruments (Australia)	–	222	–	222
Equity instruments (international)	–	283	–	283
Infrastructure	49	–	131	180
Diversified fixed interest	–	349	–	349
Property	–	250	–	250
Alternative investments	–	104	–	104
<b>Total</b>	<b>49</b>	<b>1,208</b>	<b>131</b>	<b>1,388</b>

1. Estimated based on assets allocated to the Company at 30 June 2020 and asset allocation of the Contributory Scheme at 30 June 2019.



### 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	2020	2019
	%	%
Discount rate (active members)	3.25	4.30
Discount rate (pensioners)	3.25	4.30
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	3.00	3.00
Expected pension increase rate	2.50	2.50

Assumptions to determine end-of-year defined benefit obligation	2020	2019
	%	%
Discount rate (active members)	3.15	3.25
Discount rate (pensioners)	3.15	3.25
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	3.00	3.00
Expected pension increase rate	2.25	3.50

### Sensitivity analysis

The defined benefit obligation at 30 June 2020, under several scenarios, is presented below. Scenarios A and B relate to discount rate sensitivity, while scenarios C and D relate to expected pension increase rate sensitivity. They are:

- scenario A: 0.50 per cent per annum lower discount rate assumption
- scenario B: 0.50 per cent per annum higher discount rate assumption
- scenario C: 0.50 per cent per annum lower expected pension increase rate assumption
- scenario D: 0.50 per cent per annum higher expected pension increase rate assumption.

	Discount rate % pa	Pension increase rate % pa	Defined benefit obligation \$'000
Base case	3.15	2.25	9,301
Scenario A	2.65	2.25	10,187
Scenario B	3.65	2.25	8,523
Scenario C	3.15	1.75	8,784
Scenario D	3.15	2.75	9,872

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

### Asset and liability matching strategies

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

### Funding arrangements

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

	2021
<b>Expected employer contributions</b>	<b>\$'000</b>
Expected employer contributions in 2021	98

### Maturity profile of the defined-benefit obligation

The weighted average duration of the defined benefit obligation for the Company is 18.4 years.

### Reconciliation of the effect of the asset ceiling

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



## D – Funding structure, financial assets and risk management

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

### D1 Capital management

The Company's capital structure at the reporting date consists of net cash (cash and cash equivalents) and the equity of the Company (comprising issued capital, reserves and retained earnings), with a net equity position at the reporting date of \$371.3 million (2019 \$352.9 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 carry a right to dividends.

	2020	2019
Share capital	\$'000	\$'000
<b>Ordinary shares</b>		
fully paid 409,981,119	409,981	409,981
<b>(2019: 409,981,119)</b>		

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 2019.

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

### D2 Financial risk management objectives

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

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

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

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

### Market risk management

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

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

In line with the Board-approved hedging strategy to manage the risks associated with fluctuations in the price of 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 (MOPS) Gasoil 10PPM index, into an Australian dollar denominated fixed price.

There was no change to the Company's exposure to market risks or the manner in which these risks are 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 2020. This only reflects the impact on the financial instrument and does not reflect the cost change of marine fuel as a whole.

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

	Marine Fuel Price	Net profit		Equity	
		2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000
10% increase		1,493	2,884	2,665	906
10% decrease		(1,597)	(2,884)	(2,665)	(906)



### Exchange rate sensitivity analysis

The table below summarises the potential impact of reasonably possible changes in the US and Australian dollar exchange rate on net profit and equity for the period ended 30 June 2020. This only reflects the impact of the financial instrument and does not reflect the cost change of marine fuel as a whole.

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

US\$/A\$ exchange rate	Net profit		Equity	
	2020	2019	2019	2018
	\$'000	\$'000	\$'000	\$'000
10% increase	(1,500)	(2,666)	(2,442)	(824)
10% decrease	1,621	3,161	2,961	1,007

### Foreign currency risk management

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

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

### Interest rate risk management

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

### Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit for the reporting period would have increased or decreased by \$0.9 million (2019 increased or decreased by \$0.3 million). This is mainly attributable to the Company's exposure to interest rates on variable rate cash deposits.

### Credit risk management

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

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

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

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

Trade receivables involve a large number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. The Company does not have significant credit risk with any single counterparty. The tourism industry has been significantly impacted by COVID-19, and the restrictions that are currently enforced are being closely monitored with consideration on how they will affect individual customers.

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

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit



risk without taking into account the value of any collateral obtained.

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

### Liquidity risk management

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

As part of the Tasmanian Government's response to the COVID-19 pandemic, the Treasurer has ensured that all government businesses have access to sufficient funding. On 15 June 2020 the Treasurer provided explicit support in the form of an unconditional guarantee to the Tasmanian Public Finance Corporation for the Company maximum borrowing limit of \$45 million. As at 30 June 2020, no borrowings have been required by the Company (2019: \$45.0 million unsecured bank overdraft facility unused).

### D3 Using derivatives to hedge risk

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

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

	2020	2019
<b>Derivative financial assets</b>	<b>\$'000</b>	<b>\$'000</b>
Marine fuel hedge	874	2,208
Foreign currency hedge	–	–
<b>Total derivative financial assets</b>	<b>874</b>	<b>2,208</b>

	2020	2019
<b>Derivative financial liabilities</b>	<b>\$'000</b>	<b>\$'000</b>
Marine fuel hedge	5,012	10
Foreign currency hedge	–	27,998
<b>Total derivative financial liabilities</b>	<b>5,012</b>	<b>28,008</b>

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

	2020	2019
<b>Cash flow hedging reserve</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of the period	(19,807)	(6,558)
Effective portion of changes in fair value of cash flow hedge	(10,922)	(25,371)
Transfer of hedge reserve to statement of comprehensive income	32,574	8,950
<b>Net impact on equity before tax</b>	<b>21,652</b>	<b>(16,421)</b>
Deferred tax liability arising on market valuation	(4,741)	3,172
<b>Net impact on equity after tax</b>	<b>16,911</b>	<b>(13,249)</b>
<b>Balance at the end of the period</b>	<b>(2,896)</b>	<b>(19,807)</b>

### Recognition and measurement

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

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

### Hedge accounting

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income



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

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

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

### **Valuation**

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

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

Derivative instruments are carried at fair value.



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

	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs	Total
2020	\$'000	\$'000	\$'000	\$'000
<i>Financial assets at FVTPL</i>				
Marine fuel hedge	—	874	—	874
Foreign currency hedge	—	—	—	—
<b>Total financial assets at FVTPL</b>	<b>—</b>	<b>874</b>	<b>—</b>	<b>874</b>
<i>Financial liabilities at FVTPL</i>				
Marine fuel hedge	—	5,012	—	5,012
Foreign currency hedge	—	—	—	—
<b>Total financial liabilities at FVTPL</b>	<b>—</b>	<b>5,012</b>	<b>—</b>	<b>5,012</b>

	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs	Total
2019	\$'000	\$'000	\$'000	\$'000
<i>Financial assets at FVTPL</i>				
Marine fuel hedge	—	2,208	—	2,208
Foreign currency hedge	—	—	—	—
<b>Total financial assets at FVTPL</b>	<b>—</b>	<b>2,208</b>	<b>—</b>	<b>2,208</b>
<i>Financial liabilities at FVTPL</i>				
Marine fuel hedge	—	10	—	10
Foreign currency hedge	—	27,988	—	27,988
<b>Total financial liabilities at FVTPL</b>	<b>—</b>	<b>27,998</b>	<b>—</b>	<b>27,998</b>

There were no transfers between levels during the reporting period.



## Derivative financial instruments

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

Counterparty risk was considered when measuring the effectiveness of the hedging instruments at 30 June 2020. The Company's policies regarding credit and liquidity risk management have ensured that the effect of counterparty risk is immaterial.

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

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

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



#### D4 Fair value measurement of non-derivative financial instruments

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

	2020	2019
<b>Financial assets</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	192,324	187,861
Trade and other receivables	15,945	16,696

	2020	2019
<b>Financial liabilities</b>	<b>\$'000</b>	<b>\$'000</b>
Trade and other payables	11,142	12,296
Lease Liabilities	4,539	—

#### Recognition and measurement

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

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

##### Financial assets

Financial assets are classified as financial assets at FVTPL, financial assets at other comprehensive income (OCI) 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 expected credit losses (ECL's) for all debt financial assets not held at FVTPL. ECL's are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

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

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

##### Financial liabilities and equity instruments

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

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

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



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

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

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

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

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

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

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



## Non-derivative financial instruments

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

	Floating interest rate	Under 1 year	1–5 years	More than 5 years	Non-interest bearing	Total
<b>2020 – Interest rate maturity</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Non-derivative financial assets</i>						
Cash and cash equivalents	192,268	–	–	–	56	192,324
Trade and other receivables	–	–	–	–	15,945	15,945
<b>Total non-derivative financial assets</b>	<b>192,268</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>16,001</b>	<b>208,269</b>
<i>Non-derivative financial liabilities</i>						
Trade and other payables	–	–	–	–	11,142	11,142
Lease Liabilities	–	3,484	1,055	–	–	4,539
<b>Total non-derivative financial liabilities</b>	<b>–</b>	<b>3,484</b>	<b>1,055</b>	<b>–</b>	<b>11,142</b>	<b>15,681</b>

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



## E – Additional information

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

### E1 Leases

The Company has entered into operating leases that relate to the dock areas at the Company's Devonport and Melbourne terminals, information technology (IT) and gym equipment. All leases are non-cancellable.

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

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

The Company has applied AASB 16 using the modified retrospective approach, and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related interpretations. The details of accounting policies under AASB 117 and related interpretation are disclosed separately.

The Company also acts as a lessor, leasing out the gaming area and tourism brochure outlet on board the vessels to specialist third-party operators.

	2020	2019
<b>Non-cancellable operating lease payments</b>	<b>\$'000</b>	<b>\$'000</b>
Under 1 year	3,559	3,395
Longer than 1 year but not longer than 5 years	344	3,738
Longer than 5 years	–	–
<b>Total non-cancellable operating lease payments</b>	<b>3,903</b>	<b>7,133</b>

### Recognition and measurement

#### Policy applicable from 1 July 2019

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.

This policy is applied to contracts entered into on or after 1 July 2019.

#### The Company as lessor

At the inception 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 their relative stand-alone prices.

When the Company acts as a lessor, it determines at the lease inception whether each lease is a finance lease or an operating lease. All leases are classified as operating leases from a lessor perspective.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies AASB 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in AASB 9 to the net investment. Further, the Company regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from AASB 16 except if the classification of a sub-lease entered into during current reporting period resulted in a finance lease classification. The Company did not hold any sub-leases at 30 June 2020.



## 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 the leases of property the Company has elected not to separate non-lease components, but instead account for the lease and non-lease components as a single lease component.

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

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

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

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

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

- 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 is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

## Short-term leases and leases of low-value assets

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

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

	Land and buildings	Equipment	Total
Right-of-use assets	\$'000	\$'000	\$'000
Balance 1 July 2019	7,735	78	7,813
Depreciation charge for the year	(3,373)	(21)	(3,394)
Additions to right-of-use asset	—	—	—
<b>Balance at 30 June 2020</b>	<b>4,362</b>	<b>57</b>	<b>4,419</b>



	2020	2019
Amounts recognised in profit or loss	\$'000	\$'000
<b>2020 – Leases under AASB 16</b>		
Interest on lease liabilities	168	–
Expenses relating to short-term leases	124	–
Expenses relating to leases of low-value assets, excluding short-term leases of low value	78	–
<b>2019 – Operating leases under AASB 117</b>		
Lease expense	–	3,490

	2020	2019
Amounts recognised in statement of cash flows	\$'000	\$'000
Total cash outflow for leases	3,643	3,490

### 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. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

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

### Policy applicable before 1 July 2019

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

### The Company as lessor

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

### The Company as lessee

#### Finance leases

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

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

#### Operating leases

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

#### Contingent rentals

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

#### Lease incentives

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



## E2 Auditor's remuneration

The auditor of the Company is the Tasmanian Audit Office. Fees charged for the auditing the current year's financial report were \$74,890 (2019: \$74,890).

## E3 Contingent assets and liabilities

At 30 June 2020, TT-Line Company Pty Ltd was involved in two matters before the courts. The Company is actively defending these claims. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

The property lease for the Melbourne terminal site is nearing the end of its lease term. This lease agreement has a provision for make good arrangements which may be exercised. At 30 June 2020 it is not possible to estimate the amounts of any eventual payment that may be required in relation to this lease agreement.

## E4 Related-party transactions

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

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

During the reporting period, the Company paid \$90,000 (2019: \$90,000) in sponsorship to the Tourism Industry Council Tasmania. Mr Bernard Dwyer, a Director of the Company, is also a Director of the Tourism Industry Council Tasmania, for which he received no remuneration.

## E5 Community Service Obligation

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

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

During the year ended 30 June 2020, the Company incurred a cost of \$944,626 (2019: \$932,320) in relation to this CSO.

## E6 Other accounting policies

### Accounting for goods and services tax

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

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

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

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

### Current/non-current classification

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

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



## New and amended Australian Accounting Standards

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

The Company initially applied AASB 16 *Leases* from 1 July 2019. A number of other new standards are also effective from 1 July 2019, but they do not have a material effect on the Company's financial statements.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<b>AASB 16 <i>Leases</i> and the relevant amending standards</b>	1 January 2019	30 June 2020
<p>The Company applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – that is, it is presented, as previously reported, under AASB 17 and related interpretations. The details of the changes in accounting policies are disclosed in note E1. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.</p>		

### Detailed explanation of the change in accounting policy as a result of transitioning to AASB 16 *Leases*

Previously, the Company determined at contract inception whether an arrangement was, or contained, a lease under AASB interpretation 4 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained in Note E1. On transition to AASB 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

#### ***The Company as a lessor***

The Company leases out the gaming area and tourism brochure outlet on board the vessels to specialist third-party operators. The Company has classified these leases as operating leases.

The Company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

#### ***The Company as a lessee***

As a lessee, the Company leases relate to the dock areas at the Company's Devonport and Melbourne

terminals and information technology equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company.

Under AASB 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – that is, these leases are on-balance sheet. 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 price. However, for leases of property, the Company has elected not to separate non-lease components and to account for the lease and associated non-lease components as a single lease component.



## Leases classified as operating leases under AASB 117

Previously, the Company classified property leases as operating leases under AASB 117. On transition for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 July 2019 (see Note E1). Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired. The Company used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application
- did not recognise right-of-use assets and liabilities for leases of low-value assets (for example, IT equipment)
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight when determining the lease term.

## Impact of financial statements

### Impact on transition

On transition to AASB 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 July 2019
Opening balance	\$'000
Opening balance right-of-use assets	7,813
Opening balance lease liabilities	7,813

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 July 2019. The borrowing rate applied is 2.84 per cent.

	2020
Transition to AASB 16	\$'000
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Company's financial statements	7,133
Discounted using the incremental borrowing rate at 1 July 2019	7,813
Recognition exemption for leases of low-value assets	—
Recognition exemption for leases with less than 12 months of lease term at transition	—
<b>Lease liabilities recognised at 1 July 2019</b>	<b>7,813</b>

### Standards and interpretations in issue but not yet adopted

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

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



