TT-Line Company Pty Ltd

Annual report

2021/22

SPIRIT of TASMANIA

Company vision

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

Company mission

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

Business objectives

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

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

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From the Chairman

The 2021/22 financial year was a busy one for the Company, with the added complexity of managing ongoing uncertainty because of COVID-19.

The end of the 2021 and start of the 2022 calendar years were particularly challenging for our customer-facing teams that were interacting with passengers who were nervous or anxious about their safety because of COVID-19.

In addition, the Company experienced and was required to manage, often at short notice, periods of reduced staffing availability.

Critically, I am pleased to report that this did not impact on our ability to provide a safe and reliable service to our passengers and freight customers. At no time were either of our vessels' scheduled voyages cancelled or delayed due to COVID-19.

The Board appreciates every team member's efforts and notes their ongoing professionalism and commitment during the reporting period.

The number of sailings increased by 17 to 823 compared to last financial year (806). A number of day sailings and Sunday sailings were cancelled because of Tasmanian border restrictions in the early months of the reporting period, but pleasingly more sailings were added in the latter part of the year because of strong demand.

Passenger numbers travelling with the Company increased to 284,323 (2020/21: 234,725), though this number was still below normal operations. The COVID-19 effect on passenger and passenger vehicle numbers during the reporting periodwas partially offset by an improved freight volume performance. TEU numbers exceeded 116,000, remaining consistently strong even when Tasmanian borders re-opened for passenger travel.

The current Spirit of Tasmania vessels remain highly-regarded on the international ship market – they fully comply with the International Maritime Organisation global cap on sulphur emissions and have benefited from a rigorous maintenance schedule. As at 30 June 2022, they were valued at 54.5 million Euros each, which is a decrease compared to 30 June 2021 (60.0 million Euros each). While the vessels are depreciating assets and their value is expected to decrease annually, the impact of COVID-19 on the ferry resale market and their age have been contributing factors.

In February 2022, Rauma Marine Constructions (RMC), the Finnish-based company appointed to build two new ships to be delivered in the first and last quarters of 2024, formally started construction of the Spirit of Tasmania IV and Spirit of Tasmania V vessels. The first steel was officially cut at 8pm AEST on 28 February 2022.

A steel cutting ceremony is a traditional and significant maritime celebration, but in this context, it was much more than that – the vessels' ultimate arrival on Bass Strait will mark the start of a new era for passenger, passenger vehicle and freight transport. The new vessels will feature substantially larger capacity than the current vessels.

The new Spirit of Tasmania vessels will feature up to $100 million in Tasmanian and Australian content. The first Tasmanian-based contractor to supply content for the new vessels – Crisp Bros & Haywards – was announced in June 2022. The contract was the first of many contracts that will be awarded to Tasmanian firms to provide Tasmanian content for the builds.

RMC reports that the work is progressing well and to plan.

At the time of writing, the new purpose-designed Spirit of Tasmania terminal at GeelongPort was on track to be completed ready for the first sailing from Devonport to arrive at Geelong on 23 October 2022.

The new 12-hectare site at Geelong includes a passenger terminal, a passenger vehicle marshalling area for 600 cars and caravans, more efficient passenger vehicle check-in, security facilities, public amenities, food and beverage outlet and children's play area. The terminal's design was inspired by Victorian and Tasmanian landscapes, most specifically the landscape of Cradle Mountain – Lake St Clair National Park. The new facility will also feature a dedicated freight terminal, streamlined and segregated passenger and freight entry and exit points and 150 truck parking bays.

The move to GeelongPort provides the Company with a unique opportunity to enhance the passenger experience and provide room to expand our "last to leave, first to arrive" freight business. Considering this alongside the investment we are making in two new vessels, we are not only securing the future of the Company but significantly assisting with the development of Tasmania's visitor economy and the broader economy.

During the reporting period, significant Company resources were allocated to the defence of charges laid by the Department of Natural Resources and Environment against TT-Line regarding the death of 16 polo ponies. TT-Line's priority is and always has been the safety of the passengers, crew and livestock that we carry across Bass Strait. After the tragic event, the Company engaged directly with the industry which always has been and is still fully supportive of the Company and our processes.

The Spirit of Tasmania brand continued to benefit from the Company's commercial arrangement with the North Melbourne Football Club (NMFC), particularly in our key market of Victoria. The partnership also delivers benefits for the Tasmanian community and to the local economy. The Company has sponsorship arrangements in place with both NMFC's AFL and AFLW teams.

Though it occurred outside the reporting period, the Company extended its partnership with the JackJumpers NBL side until at least the 2026/27 NBL season. As a Foundation Principal Partner, the Spirit of Tasmania logo will feature in the front chest position of the team's home and away jersey. We were very pleased to be involved with the new team in its inaugural year, and were impressed with its performance both on and off the court. We are happy to continue to support the Tasmanian-based club in the national competition and to encourage NBL fans from across Australia to travel to Tasmania for games.

As noted at the outset, the Board recognises the professionalism and dedication of the Company's entire team. It is a key reason that we are able to reflect on another successful year for Spirit of Tasmania in the face of numerous challenges, most notably COVID-19. On behalf of the Board, I would like to thank them, CEO Bernard Dwyer and all members of the senior management team for their hard work. I would also like to thank my fellow Directors for their contributions during the reporting period.

Finally, I would like to thank Treasurer and Minister for Infrastructure and Transport Michael Ferguson for his work with the Company during the year, and recognise the contribution of former Premier Peter Gutwein, in his capacity as Treasurer and Shareholder Minister.

Michael Grainger,
Chairman


SPIRIT of TASMANIA
SPIRIT OF TASMANIA IV

Report from the Chief Executive Officer

The performance of the Company in 2021/22 continued to be impacted by COVID-19, travel restrictions and border closures that were imposed for much of the first half of the reporting period.

This was affected by the increasing costs of running the business, especially in fuel costs and the revaluation of the ships. An extensive focus has been to reduce costs and identify all parts of the business to ensue the most efficient operating model is achieved.

While total revenue increased from $213.9 million last financial year to $240.8 million, the Company reported a loss after tax of $14 million (2021: loss after tax $6.7 million).

More positively, passenger numbers, the number of sailings operated and freight transport figures all increased. This has shown a very resilient demand pattern that has returned very quickly post the pandemic. Our future bookings across all aspects of the Company are very strong and in most cases have achieved volumes close to pre-COVID-19 levels.

Our people

We have often said that our people are our most important asset. This was very clear during the reporting period when the operations of the Human Resources function of the Company were challenging but ultimately rewarding, due in no small part to the support of all employees.

Of course, the challenges were largely related to COVID-19 restrictions and the impact on the number of available employees.

During the border closure when passengers were unable to travel on the Spirit of Tasmania vessels, the Company's clear goal was to maintain all existing roles. This was achieved to a large extent and the Company was able to work through to the eventual re-opening of Tasmanian borders without a restructure or retrenchment program. The support and cooperation of employees was a significant contributor to the Company achieving this goal.

Spirit of Tasmania's employees have always been the Company's most valuable asset.

On board the vessels, Retail and Hospitality teams – with the support of union representatives – agreed to reduce the number of employees required for each sailing due to the reduction in passenger numbers. This delivered important cost savings to the Company.

In addition to a large number of corporate staff taking extended periods of leave or leave without pay, during the lockdowns most office-based employees spent long periods working from home. The Company provided enhanced technology to maintain contact with the Company and between colleagues.

At the same time, seagoing employees were unable to leave terminal facilities in either Devonport or Melbourne for extended periods (up to four weeks at a time). During these periods the Company supported them with regular programs from employee assistance providers and a Company psychologist. Exercise and fitness activities in terminals from the Company's physiotherapist were also offered.

Once border restrictions were lifted and passengers returned to our vessels, the number of employees available to work was limited. This was because we were unable to recruit and train seagoing employees for approximately two years - which meant the Company was unable to replace employees who left the business as part of normal turnover. The company also experienced high levels of absenteeism due to employees contracting the virus or being close contacts.

While the vessels always operated with the required crew numbers to meet all safety requirements, the workloads for those on-board servicing passengers increased enormously. The flexibility and commitment of employees during this period was outstanding, the high level of cooperation between shore and seagoing management in relation to planning and resourcing was vital and the constructive support of the Maritime Union of Australia enabled the Company to maintain operations in the most challenging of times.

The Spirited Leader Program, a Company-wide leadership and development program that had been successfully operating all levels of the business, was reintroduced in the reporting period.

The Company also recommenced its Lookout program, an integrated health, safety and wellbeing program. The program includes on-site physiotherapy and exercise programs, mental health support and education and appropriate workplace behaviour training and support. During border restrictions the Lookout focus was narrowed to the specific needs of employees confined to terminals and their homes.

New vessels

Spirit of Tasmania and European shipbuilder Rauma Marine Constructions (RMC) formally signed a contract for the construction of two new roll on / roll off ships to replace the current Spirit of Tasmania vessels in April 2021.

The new ships will be a similar roll on / roll off design to Spirit of Tasmania I and II, they will have substantially larger capacity for passengers, passenger vehicles and freight and support increased operational efficiencies.

The new vessels will also provide long-term increased capacity for further economic growth in Tasmania.

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

Construction of the first vessel – Spirit of Tasmania IV – formally started on 28 February 2022 at a steel cutting ceremony, a traditional and significant maritime celebration.

The new vessels will also feature up to $100 million in Tasmanian and Australian content.

Spirit of Tasmania is very pleased to be working with RMC on the project. At the time of writing, the work was progressing to plan with both vessels to be delivered in 2024.

The European-based ship builder has an excellent reputation for building and delivering vessels of outstanding quality which in turn will allow us to deliver the very best for Tasmania.

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Retail & Hospitality

The Company continued our long-term commitment to Tasmanian suppliers in 2021/22 with more than 90 per cent of products sourced from local suppliers and producers.

The Retail & Hospitality team on board delivered another strong year of service in challenging circumstances. Critically, at all times the safety of passengers was at the core of the experience offered.

The Tasmanian Market Kitchen (TMK) (which sold nearly 165,000 meals to passengers during the reporting period) updated and changed its menu regularly, and this year trialled different service techniques in line with COVID-19 protocols. This included QR codes on tables and the ability to order food from a seat. The QR codes were also trialled on decks nine and 10 and were well received.

Training continued to be a priority for on board teams. Courses undertaken included wine knowledge, Tasmanian produce and product training, customer focus and service dining training, barista training and food safety.

Mental Health and Wellbeing workshops were also held throughout the year to support crew.

One of the Company's strategic aims is defined as "competitively differentiating service based on passenger experience and exceptional customer service". An integral part of delivering on this strategic direction is our survey program.

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

During 2021/22 we received 14,500 survey responses from our passengers. The CS score for this period was 93.95 per cent, which is exceptional. For the month of October 2021 our passengers rated us 95.56 per cent, which was the highest monthly score for the 2021/22 period. All areas of our operation measured in the survey have improved when compared to the previous 2020/21 period.

The Company set a goal of responding to passenger surveys within 12 hours of receiving responses where the passenger has rated the experience 85 per cent or less, and on surveys where the passenger indicates they experienced a problem. The average time to respond to passenger surveys in the reporting period was 7.7 hours.

The move from Station Pier and away from the restrictions associated with that facility to Geelong in October 2022 will remove some of the biggest pain points for our passengers, according to surveys completed. The new facility will provide parking for large vehicles, such as caravans and trailers. Improved vehicle loading will also reduce the wait to load and unload the ships.

Service based on passenger experience and exceptional customer service.

The Retail & Hospitality department oversees the Hazard Analysis Critical Control Point (HACCP) management program for best practice. The risk management systems for the food services provided by TT-Line ships and shore-based support facilities were independently audited and received full and unqualified certification to the international food safety standards and full compliance with food safety legislation.

As part of the risk management system, 23 food and eight water samples were obtained from the ships and submitted for independent laboratory analysis. The results showed 100 per cent compliance with the microbiological standards of the Australian Food Standards Code and Australian Drinking Water Guidelines.

As part of our ongoing effort to reduce, reuse, and recycle we registered to take part in the Tasmanian Government's Container Refund Scheme which is due to commence in the first half of the 2023 calendar year.

The Edgewater Hotel at East Devonport operated as a government quarantine facility from 1 September 2021 to 31 March 2022. During this time the Department of Communities Tasmania had exclusive use of the site to deliver the State Government's Hotel Quarantine program for those required to isolate as a result of the COVID-19 pandemic. The Edgewater team did an excellent job ensuring those in quarantine were safe and cared for.

Marketing

In 2021/22, the Company continued to apply an agile approach to marketing.

Mainstream advertising ceased for five months (August 2021 to December 2021) due to COVID-19 travel restrictions, while digital advertising ran across the full year as part of our "always-on" strategy.

Advertising channels primarily focused on our key markets in Victoria, southern New South Wales and Tasmania, supported by secondary markets in Queensland and South Australia.

The names of our new ships - Spirit of Tasmania IV and Spirit of Tasmania V – were released in February 2022, together with the Company's refreshed logo and new ship livery. The new ship livery maintains the strong and iconic use of our red brand colour keeping the ships recognisable and distinctive. The new design is modern and timeless, featuring red curves on the hull and funnel, complementing the angles of the ships.

The new-look logo is modern, clean and strong in design. The emblem has been refreshed to highlight the bow of the ship against the blue sea and sky framed within the shape of Tasmania. The new font is emotive but also functional, using italics to represent movement.

Brand health tracking research was conducted by our research partner, Hall and Partners, to assess Spirit of Tasmania's brand engagement and positioning against its key competitors. Spirit of Tasmania's Brand Engager score increased to 106 (up two points from the last study in 2019).

Spirit of Tasmania's sponsorship program provided support to a number of community events and activities.

The Company focused on providing contra support or travel vouchers to support fundraising activities and only provided cash support on selected occasions as follows:

- $83,650 in contra travel.
- $119,950 in financial assistance to three organisations to support education, research, advocacy and fundraising.

Of the full amount provided in cash, contra travel and in-kind support, $175,550 (more than 85 per cent) was provided to Tasmanian-based organisations or to support events held in Tasmania.

Major partnerships delivered in 2021/22 were:

- Tasmania JackJumpers inaugural 2021/22 Season.
- North Melbourne Kangaroos AFL and AFLW.
- Tourism Industry Council Tasmania (TICT) - Tasmanian Tourism Awards (Major Partner), Tassie's Top Tourism Towns (Partner and judging).
- Tasmanian Young Achiever Awards (Category Sponsor and judging) – Tourism and Hospitality Award.
- Targa Tasmania.

During the year, partnerships with the North Melbourne Kangaroos and the Tasmania JackJumpers were leveraged to increase positive brand reputation and raise awareness of the Company's move to Geelong and the new ships.

Information about the move from Station Pier to Geelong has been shared via the Kangaroos and JackJumpers' member networks and via digital platforms at the 2022 games at Blundstone Arena and MyState Bank Arena. The promotional video for the new vessels was also shown at all home games held between March 2022 and June 2022 for both clubs.

Both major partnerships delivered benefits to Spirit of Tasmania's loyalty members providing exclusive experiences, ticketing and hospitality.

Relationships with tourism networks, specifically Tourism Greater Geelong and Bellarine, were developed to deepen their understanding of our service and our passengers, and explore opportunities to align with local tourism operators.

Digital content, including landing pages, videos, blogs, and social posts, was created to promote the Geelong terminal and new ships.

Throughout the year, a series of new spirited traveller road trip itineraries and destination blogs, promoting Tasmania and Victoria, were created to inspire audiences and build consideration.

A user-generated content plan was developed and implemented to further enhance brand and audience engagement.

A tactical approach to social media (organic and paid) was implemented to drive reach and inspiration across broader demographics.

Targeted email communications were consistently delivered to the Company's database, enhancing engagement and driving conversions throughout the year.

Freight

The 2021/22 financial year was another successful year for the freight function with TEU numbers reaching 116,300.

Freight volumes remained consistently strong throughout the year despite an upsurge in passenger vehicles in the second half.

During the COVID-19 pandemic, the majority of our freight clients were able to increase their respective volumes because of greater availability of vehicle deck space. The availability of this extra space at times allowed the freight team to reach unprecedented TEU numbers exceeding 230 on most sailings.

The usual operational issues we have traditionally encountered at Station Pier in Melbourne continued, with the freight yard in particular requiring far greater input and management to meet the increase in volume demand.

The Company's discussions with clients points to anticipated growth in the owner/operator area due to interest in the relocation from Station Pier to Geelong, and in particular the opportunity on how best to utilize the 24/7 freight yard at the new Victorian base.

Importantly, freight staff were able to successfully adapt to the challenges associated with the unprecedented volume increases. The Company's strong client engagement approach was key to this success.

The Tasmanian economy continues to grow across most sectors, including in aquaculture and agriculture to which TT-Line is particularly aligned.

Marine Operations

Both vessels performed very well during the reporting period providing a safe and reliable service to our passengers and freight customers.

Very strict on-board protocols were adhered to by our crews to minimise the spread of COVID-19. On only one occasion were either of our vessels' scheduled voyages cancelled or delayed due to COVID-19. Passenger feedback commended our crew for minimising their exposure.

Physical interaction between management and our crew was kept to an absolute minimum, limitations were placed on contractors ensuring only essential and fully vaccinated staff were able to work on our vessels, albeit under strict guidelines and protocols.

Both vessels continued to operate maintaining full certification and meeting all requirements under Class (Lloyds) and the Australian Maritime Safety Authority (AMSA).

Internal and external audits continue as scheduled without any major non-conformances recorded. All mandatory drills and exercises were conducted as per our schedule. In addition, an impromptu table-top emergency response exercise was conducted involving Ship's Staff and Shore Management.

Spirit of Tasmania II underwent her biannual three-week dry dock at Garden Island, Sydney. This was a challenging task to undertake with reduced crew and contractors because of COVID-19 restrictions.

Significant work has been undertaken in preparation for our move from Station Pier to Geelong. Marine Operations has worked closely with Harbour Masters and external experts to ensure a complete due diligence process was completed. Comprehensive simulated exercises at the Australian Maritime College are planned for the bridge teams of both vessels prior to our arrival in October.

We continued to monitor our vessel fuel consumption during the reporting period, not only to reduce operating costs, but also to identify ways to reduce our emissions. A Greenhouse Gas Strategy was approved by the International Maritime Organisation (IMO) in 2018 requiring a gradual reduction of CO_2 emissions by all vessels. This requirement takes effect from 1 January 2023. Marine Operations has already implemented measures to reduce our consumption and comply with these requirements, including:

- Operating on two engines where possible instead of all four.
- Amended timetable allowing more two engine voyages.
- Reducing fuel temperature to minimise consumption in port and also to reduce "by-pass" on fuel pumps.

TT Line engaged an external service provider to inspect each refrigerated cargo trailer to ensure electrical integrity. This contractor performed plug change outs and simple repairs where necessary, thus reducing exposure to our crew and stevedores. Since the introduction of this service, instances of fault have fallen by 80 per cent. All owners of cargo units are now required to have units tested and tagged to be eligible for transport.


SPIRIT OF TASMANIA I
DEVONPORT

Port Operations

During the year Terminal Services processed 284,323 passengers and 145,036 passenger vehicles through the passenger check-in process, along with 116,300 TEUs through the Freight Receivables and Dispatch processes.

Of the 823 ship arrivals, 81 per cent of arrivals were on time, eight per cent were delayed for between 15 to 30 minutes and 10 per cent were delayed by more than 30 minutes. There were 823 departures - 69 per cent were on time, 18 per cent were delayed between 15 to 30 minutes and 14 per cent were delayed by more than 30 minutes.

Departure delays are often due to the consistent high volumes of cargo that the Company carries, combined in the second half of the year with an increase in passenger vehicles once COVID-19 restrictions were lifted.

Like every Spirit of Tasmania operational area, Terminal Services faced challenges with staff absenteeism because of COVID-19. Rostering, shift lengths and general coverage were reviewed to manage this. This was critical to ensure sailing schedules were maintained and passengers and freight were processed and loaded without delay.

Qube and Wilson Security were also impacted by absenteeism due to COVID-19. It was pleasing to see both contractors communicating and working with the Company to ensure any operational impacts were minimised.

Port Operations worked closely with Retail & Hospitality in assisting passengers to board the ship on time, especially during double sailings. The effectiveness and content of SMS to passengers is regularly reviewed.

The offshore screening and check-in process of passengers and their vehicles for Biosecurity Risk Material as part of Spirit of Tasmania's Melbourne check-in process successfully continued in 2021/22 without major issues and in accordance with agreed audit and training schedules.

Devonport Berth

The procurement of two new vessels, increasing operational capacity by approximately 40 per cent, means Spirit of Tasmania will need to relocate operations in Tasmania from Berth 1E to Berth 3E. This requires a greenfield development on the land at Berth 3, which is currently largely undeveloped.

Planning for this project commenced pre-COVID-19 and was paused when the previous new vessel contract was cancelled. Once the new contract was signed with RMC for the new vessel builds, work recommenced on establishing Berth 3E (east) as our future home in Devonport.

The Agreement for Lease was executed outside the reporting period (in late July 2022), with the work scheduled to be delivered in stages over the next two years.

The redevelopment work will be delivered in part by TasPorts, in part by TT-Line, over agreed stages.

TasPorts will commence development of the primary wharf infrastructure and undertake preparatory works across the remainder of the site.

The Company expects to gain access to the site in mid-2023 to commence the remainder of the construction required to achieve operational status by mid-2024.

The current site at Berth 1E has served the company well and is now at capacity, and with the introduction of new ships to deliver an additional 40 per cent carrying capacity, we need a new home that will meet the company's requirements for the next 40 years.

The new facility at Berth 3E will be almost double the size of the space at Berth 1E (increasing from 3.6 hectares to seven hectares) providing for an improved experience for both our passenger and freight customers.

Importantly, as our new ships arrive some months apart, the new site will be designed to accommodate both the old and new vessels from a wharf, ramp and linkspan infrastructure perspective.

GeelongPort relocation

Spirit of Tasmania will move its Victorian port operation from Station Pier, Port Melbourne to Corio Quay, Geelong in October 2022.

The new 12 hectare site at Geelong will include a state of the art passenger terminal, a passenger vehicle marshalling area for 600 cars and caravans, more efficient passenger vehicle check-in, security facilities, public amenities, cafe, children's play area and a pet exercise area, providing our passengers a space to relax before and after their voyage.

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

The new port is expected to lead to increased passenger growth from markets in New South Wales, Queensland and South Australia, as well as increased passenger growth from regional Victoria.

To keep our staff, passengers, freight clients and other interested parties up to date with the build, a dedicated website was created by GeelongPort. In addition, Spirit of Tasmania published regular updates posted on our website.

Site preparation works began in December 2020 to prepare the area for construction of the new passenger and freight terminal.

In August 2021, GeelongPort and Spirit of Tasmania unveiled the design images of Spirit of Tasmania's new terminal building, prior to construction commencing in late 2021.

The design, created by Brand Architects, was inspired by Tasmania's natural landscapes, including Cradle Mountain and Dove Lake.

In November 2021, GeelongPort announced the appointment of key contractors to work alongside the GeelongPort project team.

Fitzgerald Constructions Australia demolished the existing berth structure and assumed responsibility for the marine works including the wharf, berth structure and the three-level loading ramp – one of the most exciting elements of the project. The gantry and linkspan is the first of its kind in the southern hemisphere and will cater to both the existing ships as well as the new ships. The three-level access ramp will allow for boarding/disembarking simultaneously from three levels once the new ships arrive in Australia.

BMD Constructions is responsible for the landside civil construction with Kane Constructions responsible for the passenger terminal building.

In May 2022 Spirit of Tasmania announced the first sailing date from Geelong would be Sunday 23 October 2022.

Customer Contact Centre

The Customer Contact Centre (CCC) received more than 104,000 calls during the financial year, resulting in 10,649 bookings. In addition to these "traditional" calls, the team also managed more than 15,500 email and 750 messenger enquiries.

Throughout the first year of COVID-19, Spirit of Tasmania provided considerable support to all COVID-19-impacted passengers. Refunds were made available to passengers where travel restrictions meant the forced cancellation of their travel plans. This support continued during the reporting period with the CCC team pivotal in managing requests and providing support to concerned passengers.

The CCC team was required to respond to changing COVID-19 advice, directions and policy during 2021/22. As frontline operators, the team was often relied upon to provide clarity on rules, while balancing the need to ensure the Company did not issue directions that were the responsibility of the respective Health Departments.

Training and development continued as a fundamental activity. This year's training programs were tailored to help meet a broad range of needs and included formal new-hire training, upskilling employees into specialised roles, e-learning modules, post training coaching and development along with regular updates of changes to policy and\or procedures.

Given the high level of demand for travel on board our vessels, it is often the case that customers will phone the CCC team as they are unable to find availability online.

The CCC team will outline the waitlist process to the customer to determine if this is a suitable option. The CCC team cleared more than 3,600 waitlists in 2021/22. Reviewing the process to seek efficiencies was a high priority for the team over the reporting period with recommendations scheduled to be implemented across two phases. Phase one was implemented in November in readiness for the peak summer period with phase two expected in the coming financial year.

Supporting our passengers through this year was the highest priority.

To better support passengers with a need to travel with an Assistance Animal, a review of supporting information and eligibility criteria was undertaken to ensure easy access for booking in addition to achieving confidence in compliance of the *Commonwealth Disability Discrimination Act 1992*. The Company received 60 enquiries since October 2021 from passengers wishing to travel with an Assistance Dog.

As travel between Tasmania and Victoria transitioned from closed to open borders within the first half of the reporting period supporting our passengers through this was the highest priority.

The goodwill gestures provided to passengers were historic and extensive and implemented in three phases. The first and most significant phase allowed passenger bookings to be cancelled with the full value of the fare refunded, regardless of the fare conditions and reason. This assistance was available during the first two quarters of the financial year.

The opening of Tasmanian borders in December 2021 motivated a second phase of assistance allowing passengers to cancel - again, regardless of reason - and have the fare cancellation fee transferred to a gift voucher. More than 1,900 gift vouchers were issued. During the fourth quarter of the financial year (and now ongoing) the Company continues to offer a gift voucher for cancellation fees as a result of passengers being unable to travel due to a positive COVID-19 test.

Over the past two years a number of restrictions were applied to accommodation offerings on board. As an extension of this, an operational review recommended the continued phasing out of Shared Cabins as an accommodation category from 2022/23. Passengers holding a ticket with a Shared Cabin for travel in 2022/23 were provided a courtesy upgrade.

Passenger Sales

A number of schedule changes, announcements regarding Geelong sailings and performance improvement developments across the inhouse reservations platform, the public facing booking platform and the revenue optimisation system meant the Passenger Sales team enjoyed a busy 2021/22.

Every year there is strong demand from passengers travelling from Tasmania to Victoria with caravans and motorhomes during the March to June period and from September through to December for passengers travelling south. During the reporting period Spirit of Tasmania recorded unprecedented demand for high space (the vehicle deck space allocated to carry vehicles higher than 2.1m) across a far wider travel period.

This space historically sells out months in advance. This issue has been compounded by two years of travel restrictions and significant growth in caravan sales (as observed in the Census data released in June 2022) which has placed even more pressure on the availability of this space.

Spirit of Tasmania encourages passengers to book travel on a return basis and as far in advance as possible. This ensures best access to both available space and best priced fares, and also ensures the Company can monitor and respond accordingly to demand.

The Passenger Sales team reviews availability against the sailings schedule almost daily and continues to add day sailings as the demand and schedule allows.

The Passenger Sales team's main focus is ensuring that the company's three business critical systems are operating optimally and providing the best experience for customers and passengers.

In 2021/22 the Passenger Sales team initiated a number of developments to the internet booking platform as follows:

- Ship Status – This functionality was improved to allow Terminal Services the ability to provide real time information for passengers across operating hours of business.
- Added Registration to vehicle step in Amendments – Registration was added to the vehicle step next to the Make Model description in amendments. Passengers amending their vehicle now have a better visual on what registration is attached to the vehicle.
- Changes to booking total length on IBP - To avoid disappointment at check-in it is essential passengers book correct vehicle space for their vehicles. To assist passengers book towed space via the internet booking platform, changes were made that include instruction on how to measure your vehicle in addition to capturing the total length.

In addition, there were several updates to the Company's in-house reservations system providing for improved functionality. These upgrades need to be well planned and executed to ensure system outages are minimised.

Information Services

The focus of operations in the Information Services (IS) team changed as the year progressed. This was as a consequence of changing business demand resulting from the COVID-19 pandemic.

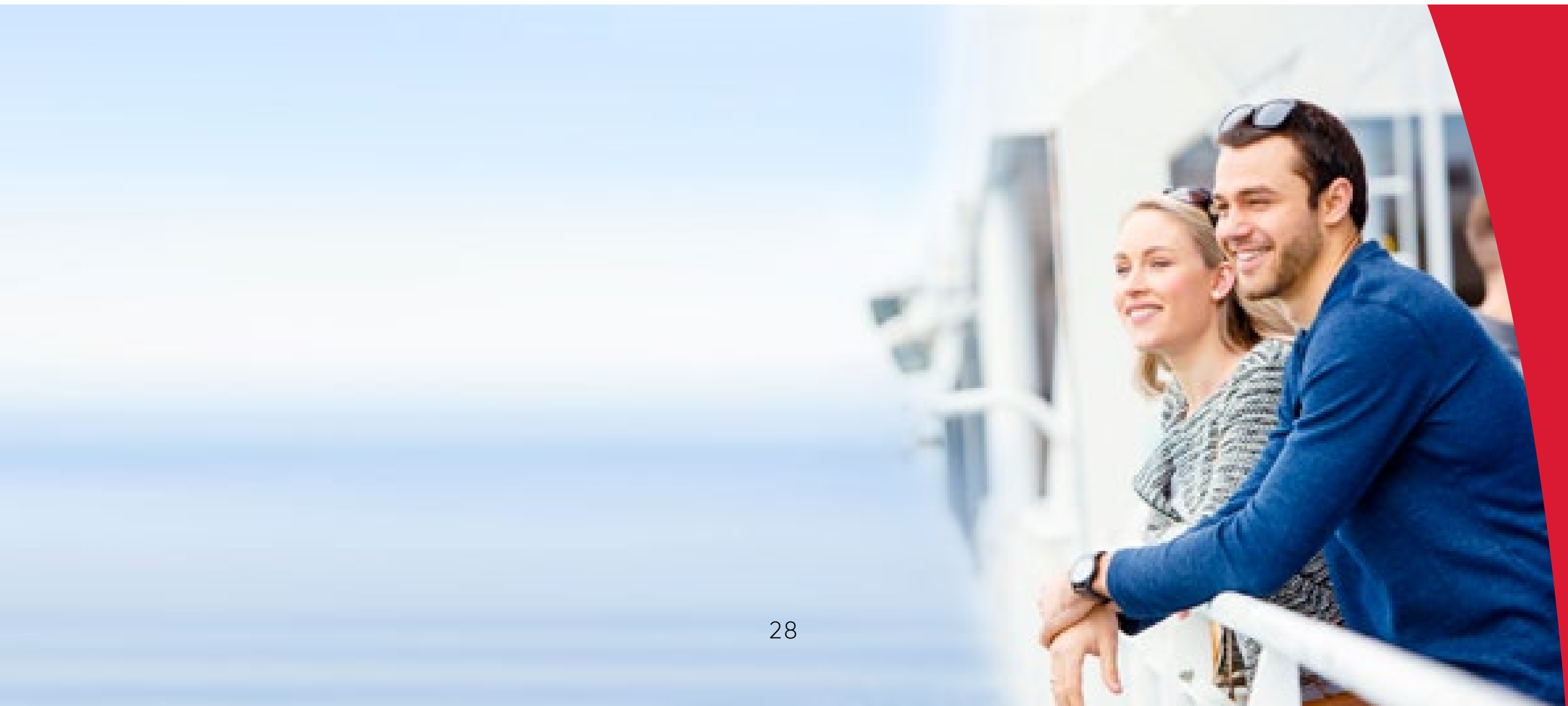
The early part of the year focused on cost management and consolidation where possible, undertaking maintenance work on both shore and vessel-based equipment, and re-planning our program of work to deliver our strategic goals in the years ahead.

As we approached the State border reopening in December 2021, the focus shifted to supporting the business as it ramped back up to full operations, followed by a full schedule of double sailings during the peak season through to April 2022.

In July 2021, an Information Technology (IT) operating model was introduced to better service the demands of the business, and to provide structured governance around IT investment.

The IS team has been focused primarily on supporting the large strategic projects being undertaken by the business, particularly the design and construction of two new vessels and supporting the build program for our new terminal facility at GeelongPort.

In recognition of the risk that cyber security poses to business operations, a new secure vertical has been created in the IT Operating Model to secure our platforms, both existing and new. A Cyber Security Manager was recruited in the first quarter of the reporting period, who has developed the program of work required to secure the company's digital assets. Additionally, in 2021/22 the Board approved the adoption of the framework recommended by the Australian Cyber Security Centre (ACSC) for Critical Infrastructure Assets. The implementation of this framework and program of work will be progressed in the next two financial years.



Conclusion

As the Chairman noted in his annual report message, our staff and crew did an outstanding job under very difficult circumstances this year. I would like to thank them on behalf of the leadership team for a job well done.

I would also like to thank the Chairman and all Directors for their support during the reporting period, and all members of the leadership team for their collective and individual hard work during what has been a challenging period for our business.

Looking forward in the short to medium-term, there are exciting times ahead given the once-in-a-generational opportunities our new vessels and new port infrastructure on both sides of Bass Strait are set to deliver.

Bernard Dwyer,
Chief Executive Officer and Managing Director

Public interest disclosure

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

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

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

Statement of corporate intent

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

	Target 2021–2022	Actual 2021–2022	Actual 2020–2021
Financial			
Return on Assets	6%	1%	5%
Return on Equity	4%	(4%)	(2%)
Dividends (%NPAT)	90%	0%	0%
Non-financial			
Voyages	899	823	806
Lost time injuries	-	11	5
Safety Marine KPIs (#)	-	6	3
Customer satisfaction (#/100)	93	94	94

Explanation of the numbers statement[1]

	2022 ($'000)	2021 ($'000)
Revenue from operations[2]		
Spirit of Tasmania	238,831	212,008
Other revenue	1,562	1,527
	240,393	213,535
Expenses from operations[2]		
Spirit of Tasmania	(207,725)	(182,883)
Other expenses	(1,119)	(1,159)
	(208,844)	(184,042)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	31,549	29,493
Depreciation and amortisation		
Spirit of Tasmania	(24,569)	(7,898)
Other	(95)	(92)
	(24,664)	(7,990)
Earnings before interest and tax (EBIT)	6,885	21,503
Interest expense	(3,121)	(357)
Interest income and foreign currency gains	461	473
Underlying profit	4,225	21,619
Represented as follows;		
Spirit of Tasmania	3,877	21,343
Other	348	276
Underlying profit	4,225	21,619
Reconciliation to audited profit for the period		
Underlying profit	4,225	21,619
Accounting adjustments		
Revaluation of asset adjustment	(24,257)	(31,234)
Taxation (expense)/benefit	6,005	2,881
Profit for the period – audited	**(14,027)**	**(6,734)**

[1] Explanation of the numbers statement is unaudited

[2] Includes revenue and expenses from Edgewater internal operations


SPIRIT OF TASMANIA I

Remuneration report

Remuneration Framework

The Company has a Board-endorsed remuneration policy that is consistent with the Tasmanian Department of Treasury and Finance's guidelines for director and executive remuneration dated June 2021.

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

The strategy of the remuneration policy is to:

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

The Board Remuneration Committee is responsible for reviewing and approving changes to the senior executive team's remuneration policies and incentive programs. The committee approves market-based movements in remuneration as part of the annual remuneration review for the senior executive team. It is responsible for advising the Board on movements in the senior executive team salary levels.

Remuneration Review

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

- Retain and motivate high-quality Employees;
- Reward exceptional performance;
- Be relative to external employment markets; and
- Be relative to Company performance.

Incentive payments

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

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

The Performance Incentive Program is designed to:

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

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

Short-term incentive payments are those that are dependent on achieving specified performance goals within specified timeframes. These payments are non-recurrent and are capped at a percentage of base salary that is approved by the Board, this was 15% for the 2021/22 financial year.

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

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

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

In addition to the corporate targets, each executive is evaluated on their attainment against individual goals identified through the formal annual performance program. The individual goals are closely linked to the overall company targets, however, with the ability to tailor based on the individual role accountabilities and influence.

Summary of executive individual goals

Name	Position	Individual Goals
Mr P Davis	Head of Strategic Projects	Goals linked to the corporate targets in particular a focus on cost savings, delivery strategic projects and contribution to the strategic direction of the Company
Mr N Harriman	General Manager Retail and Hospitality	Goals linked to the corporate targets in particular a focus on cost savings, crew management to ensure safe manning levels and contribution to the strategic direction of the Company
Ms K Holandsjo	General Manager Passenger Sales	Goals linked to the corporate targets in particular a focus on cost savings and maximising passenger revenue, aligning activity to passenger demand and travel restrictions and contribution to the strategic direction of the Company
Ms A Johnson	General Manager Port Operations	Goals linked to the corporate targets in particular a focus on cost savings, management of operations to comply with all COVID-19 requirements and contribution to the strategic direction of the Company
Mr K Maynard	Company Secretary	Goals linked to the corporate targets in particular a focus on cost savings, management of insurance portfolio and contribution to the strategic direction of the Company
Mr J McGrath	General Manager Human Resources	Goals linked to the corporate targets in particular a focus on cost savings, project funding, delivery of strategic businesses cases and contribution to the strategic direction of the Company
Mr R Hall	General Manager Marine Operations	Goals linked to the corporate targets in particular a focus on cost savings without compromising safety, crew management to ensure safe manning levels and contribution to the strategic direction of the Company
Ms E Panos	General Manager Marketing	Goals linked to the corporate targets in particular a focus on cost savings, management of marketing activity to reflect travel restrictions imposed as a result of COVID-19 and contribution to the strategic direction of the Company
Ms K Sayers	Chief Financial Officer	Goals linked to the corporate targets in particular a focus on cost savings, management of insurance portfolio and contribution to the strategic direction of the Company
Mr I Whitechurch	General Manager Freight Sales	Goals linked to the corporate targets in particular a focus on cost savings, maximising freight revenue and contribution to the strategic direction of the Company

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

Statement of Compliance

The Company has complied with the Guidelines for Tasmanian Government Business – Director and Executive Remuneration for the year ended 30 June 2022 with the exception of the remuneration of one senior executive that exceeded 80 per cent of the maximum approved CEO remuneration band. This was the result of a non-monetary benefit being the grossed up fringe benefit value on the sale of a motor vehicle.

Other information report

Annual report disclosures in accordance with government guidelines.

Buy local

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

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

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

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

Purchases from Tasmanian businesses (including GST)	2022
Value of purchases from Tasmanian businesses ($'000)	47,030
Percentage of purchases from Tasmanian businesses	21%

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

Consultant	Location	Description	Engagement	2022 ($'000)
Corporate Communications	Tasmania	Public relations advice	Monthly Retainer	52
Donoughmore	Victoria	Risk Management	Adhoc	79
Ellis King	Victoria	Specialised recruitment	Adhoc	57
Figura	Sweden	Interior design for vessel replacement	Adhoc	101
Foreship	Finland	Ship engineering design for vessel replacement	Adhoc	230
Halliday's Business Insights Pty Ltd	Victoria	Employee training and support	Adhoc	90
HFW Australia	Victoria	Legal representation and services for various contract negotiations.	Adhoc	800
KPMG	Tasmania	Internal audit/specialised technical advice	Annual engagement	179
Page Seager	Tasmania	General legal advice	Adhoc	106
P & M Consultants	Victoria	Port infrastructure engineering consulting	Adhoc	434
			Total	2,128
		12 other consultants were engaged, each for $50,000 or less, totalling		198
			Total cost of consultants	**2,326**

Payment of accounts

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

Accounts due or paid within the year	2022	2021
Creditor days	15	17

Accounts due or paid within the year	Number of invoices	$'000
Invoices due for payment (including GST)	19,971	269,621
Invoices paid on time (including GST)	16,653	222,594
Payments for interest or fees on overdue invoices	–	–


SPIRIT OF TASMANIA

Corporate governance

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

The 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, health and safety obligations.
- Reviewing and approving all major company policies.
- Overseeing the operation and performance of all Board committees.

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

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

The committees, as at the reporting date, were:

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

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

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

For more information about the Directors, see the Directors' report on page 3 of the Annual financial report.

TT-Line Board

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

Chief Executive Officer

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

2 Structure the Board to add value

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

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

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

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

The Board's performance is reviewed annually.

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

3 Act ethically and responsibly

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

The Company has an open and transparent recruitment policy that supports appointments based on merit and qualifications, free from discrimination or favouritism.

The Company also has an ethics policy that promotes equity and diversity. At the reporting date, approximately 45 per cent of the Company's employees were female and 55 per cent were male.

4 Safeguard integrity in corporate reporting

The Board has established an Audit and Risk Committee with a formal Charter that is reviewed by the Board. This committee comprises four members, all of whom are independent non-executive Directors. It is chaired by an independent Director who is not the Chairman of the Board.

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

5 Make timely and balanced disclosure

The Company is not a listed company; therefore, it is not obliged to report to the ASX. However, as a State-owned business, the Company ensures that Members are kept informed of all matters that may have a material impact (financial or otherwise) on the business or potential adverse implications for the State. The Company has a process for ensuring that Members are promptly advised of matters as required by its Constitution and the Members' Statement of Expectations.

6 Respect the rights of shareholders

The Company conducts briefing sessions with its 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 flexible freight strategy to offset reduced passenger volumes; strict cleaning and infection control procedures to mitigate further virus spread; amendments to sailing schedules to align to demand; and strict cost controls to offset reduced revenues.
- Reduced passenger and freight volumes – To mitigate this risk, the Company has implemented an agile marketing and passenger sales strategy. This is supported by a flexible freight strategy, a dynamic yield and inventory management plan, and regular competitor analysis.
- Major environmental disaster – To mitigate this risk, the Company maintains a comprehensive safety management system. Trained, qualified and competent personnel are in control of the vessels, and personnel are regularly drilled in emergency response procedures, including firefighting, grounding and hull failure.
- Adverse movement in fuel costs – To mitigate this risk, the Company has implemented a fuel hedging strategy. This is supported by regular pricing reviews and competitor pricing analysis.

The Company does not have any significant social sustainability risks in its risk profile and has a vision to actively contribute to the long-term economic prosperity of Tasmania. To aid social sustainability, the Company supports 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, the JackJumpers National Basketball League Club and the North Melbourne Football Club's Australian Football League (AFL) games played in Hobart.

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

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

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

8 Remunerate fairly and responsibly

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

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

The Company has a Board-endorsed remuneration policy that is consistent with the Tasmanian Department of Treasury and Finance's guidelines for executive and board remuneration, dated June 2021.

Directors' fees are set by the Tasmanian Government.

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


SPIRIT OF TASMANIA I

Ship facts

OWNER TT-LINE COMPANY PTY LTD
BUILDER KVAERNER MASA-YARDS FINLAND
YEAR BUILT 1998

SHIP TYPE RO/RO PASSENGER V/L
CLASS AMERICAN BUREAU OF SHIPPING
FIRST TT-LINE COMMERCIAL CROSSING 1 SEPT 2002

OVERALL LENGTH 194.33M

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

GROSS TONNAGE 29,338

DEAD WEIGHT 5,651T

CAPACITY

1400 | 121 | 222 | 500

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

SPEED, TIME & DISTANCE

DISTANCE FROM MELBOURNE TO DEVONPORT
429KM
232 NAUTICAL MILES

CROSSING TIME (HRS)
9-11

AVERAGE SPEED IN KNOTS 27
EQUALS 50 KM/HR

ANNUAL FINANCIAL REPORT

TT-LINE COMPANY PTY LTD
FOR THE YEAR ENDED
30 JUNE 2022

SPIRIT OF TASMANIA

CONTENTS

DIRECTORS' REPORT

The Directors of TT-Line submit the annual financial report of the Company for the financial year ended 30 June 2022. The Directors report the following, in compliance with the provisions of the *Corporations Act 2001* (Cth).

Information about the Directors

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

Mr Michael Grainger	Mr Grainger is the Chairman of the Board, having joined the Board in 2005 as an independent non-executive Director. He is Chairman of the Vessel Replacement and Procurement Committee, and the Director Nomination Committee, and a member of the Audit and Risk Committee and the Remuneration Committee. Mr Grainger is the Managing Director of Liferaft Systems Australia Pty Ltd, and a member of the Det Norske Veritas International Ferry Committee. *(Appointed May 2005 reappointed November 2019 and current term expires November 2022.)*
Mr Damian Bugg	Mr Bugg joined the Board in July 2019 as an independent non-executive Director and is a member of the Audit and Risk Committee. He is also a Director of Blundstone Australia Pty Ltd, Chairman of the Board of the University of Tasmania Foundation Inc. and a member of the University of Tasmania's Foundation Committee. *(Appointed July 2019 and current term expires November 2022.)*
Captain Richard Burgess	Captain Burgess is a member of the Board, having joined as an independent non-executive Director in November 2016. He is also a member of the Vessel Replacement and Procurement Committee. *(Appointed November 2016 reappointed November 2019 and current term expires November 2022.)*
Ms Claire Filson	Ms Filson joined the Board in November 2015 as an independent non-executive Director and is a member of the Audit and Risk Committee. She is Deputy Chair of the Port of Hastings Development Authority and the Portable Long Service Authority. She is also a Director of Greater Western Water Corporation and Murray Irrigation Limited, and an independent member of the Audit and Risk Committee of the City of Kingston and the Victorian Department of Premier and Cabinet. *(Appointed November 2015, reappointed November 2018 and current term expires November 2021.)*
Ms Helen Galloway	Ms Galloway joined the Board in November 2016 as an independent non-executive Director and a member of the Audit and Risk Committee. She is Deputy Chairperson of Tasracing and is a non-executive Director of Bank of us and Hydro Tasmania. In these roles, she serves on various committees in different capacities including Chairperson of Audit and Risk, Chairperson of Human Resources & Remuneration, and member of Audit and of Risk. *(Appointed November 2016 reappointed November 2019 and current term expires November 2022.)*
Ms Anna McMahon	Ms McMahon joined the Board in November 2021 as an independent non-executive Director. She is currently Director of communications consultancy McMahon Media and has previously worked as a communications expert with Brand Tasmania. Her Board experience includes the NRMA Advisory Board (Queensland). *(Appointed November 2021 and current term expires November 2024.)*
Ms Yvonne Rundle	Ms Rundle joined the Board in December 2020 as an independent non-executive Director and was appointed Chairperson of the Audit and Risk Committee and the Remuneration Committee in February 2021. She is also a member of the Director Nomination Committee. In addition to her roles with TT-Line, Ms Rundle is a non-executive Director and Chair of the Audit and Risk Committees of Aurora Energy Pty Ltd and TasTAFE. Ms Rundle is also a non-executive Director of Metro Tasmania Pty Ltd, Metro Coaches (Tas) Pty Ltd, Action Against Homelessness Limited, University of Tasmania Foundation Inc. and a small number of other private companies. *(Appointed December 2020 and current term expires December 2023.)*
Mr Bernard Dwyer	Mr Dwyer joined the Board in 2010 as a non-executive Director. In November 2014, he was appointed CEO of the Company and is now an Executive Director. Before his appointment as CEO, Mr Dwyer was a member of the Audit and Risk Committee and the Remuneration Committee. He is a Director of the Tourism Industry Council Tasmania, and a member of the Interferry Board and a member of the Tasmanian State Government's Access Working Group. *(Appointed December 2010, reappointed January 2015 and current term expires November 2024.)*

Remuneration of Directors and key management personnel

Information about the remuneration of Directors and key management personnel is set out in note C2 'Director and key management personnel compensation'. The Company has complied with the Guidelines for Tasmanian Government Business – Director and Executive Remuneration for the year ended 30 June 2022 with the exception of the remuneration of one senior executive that exceeded 80 per cent of the maximum approved CEO remuneration band. This was the result of a non-monetary benefit being the grossed up fringe benefit value on the sale of a motor vehicle.

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 $240.8 million (2021: $213.9 million) and a loss after tax for the year ended 30 June 2022 of $14.0 million (2021: loss after tax $6.7 million). The Company's performance continued to be impacted by COVID-19 and government-imposed travel restrictions and border closures in response to the pandemic, which were in place for much of the first half of the financial year.

In the 2021/22 financial year, the Company continued its progress towards its updated strategic plan. The plan includes objectives to:

- operate safely and reliably
- continue the implementation of the vessel replacement project to replace current vessels, to be operational by mid to late 2024
- continue the planning and design for shore-side 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 increased by 17 over the prior year to 823 (2021: 806). In response to the continued implementation of Tasmanian border restrictions due to the COVID-19 pandemic for part of the year, a number of day sailings and Sunday sailings were cancelled due to low passenger demand during the first half of the year, however, more sailings were added in the later part of the year responding to stronger forward demand.

During the financial year, 284,323 passengers (2021: 234,725) travelled with the Company. Whilst an improvement on the prior year, these levels are still well below normal operations, however offset somewhat by continued strong freight volumes.

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

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

The vessels were valued at €54.5 million each at 30 June 2022. This value is a reduction from previous years, which reflects the impact of COVID-19 on the current ferry resale market and the age of the vessels.

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

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

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

Subsequent events

In July 2022 the Company signed long term agreements with Tasmanian Ports Corporation Pty Ltd (TasPorts) for the lease of port infrastructure assets in East Devonport Tasmania, for the operations of existing and new vessels. In the opinion of the Directors, there are no other items, transactions or events of a material or unusual nature have arisen between the end of the 2021/22 financial year and the date of this report that could significantly affect the operations of the Company, the results of its operations, or the state of its affairs in future financial years.

Future developments

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

Environmental regulations

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

Dividends

No dividends have been paid or declared since the start of the 2021/22 financial year. It was resolved that no dividend be declared in respect of the 2020/21 financial year due to the impact of border restrictions on the Company's cash flow and future working capital and capital expenditure projects including new vessels and port infrastructure projects.

Indemnity and insurance for officers and auditors

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

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

International travel

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

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

International travel in the year ended 30 June 2022

Position	Number of trips	Cost of travel $'000
Directors	–	–
CEO	3	47
Company representatives	16	342

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

	Board		Audit and Risk Committee		Remuneration Committee		Vessel Replacement and Procurement Committee		Director Nomination Committee	
Director	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held [1]
Mr M Grainger	11	11	5	5	3	3	2	2	2	2
Mr D Bugg	11	11	1	1	1	1	2	2	–	–
Capt. R Burgess	11	11	–	–	–	–	2	2	2	2
Ms C Filson	4	5	3	3	–	–	–	–	–	–
Ms H Galloway	11	11	5	5	–	–	–	–	2	2
Ms A McMahon	6	6	–	–	–	–	–	–	1	1
Ms Y Rundle	11	11	5	5	3	3	–	–	2	2
Mr B Dwyer[2]	11	11	–	–	–	–	–	–	2	2

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

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

On behalf of the Directors

M Grainger, Chairman

Y Rundle, Audit Chair

Directors

Hobart, 12 August 2022

Tasmanian Audit Office

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

9 August 2022

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 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

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

Yours sincerely

Rod Whitehead
Auditor-General

Tasmanian Audit Office

Independent Auditor's Report

To the Members of TT-Line Company Pty Ltd

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of the TT-Line Company Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2022 and statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

- In my opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:
- giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year then ended
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 9 August 2022 and included in the Directors' Report, would be in the same terms if provided to the directors at the time of this auditor's report.

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Valuation and depreciation expense of vessels *Refer to note A2 and B3.*	
Property, plant and equipment included vessels totalling $165.33 million recognised at fair value. The fair value of vessels is valued based on independent market valuations performed by independent valuation experts. The calculation of fair values is judgemental and highly dependent on a range of assumptions and estimates. The fair value is impacted by market factors and foreign currency exchange rates. Fluctuations in vessel valuations can have a significant impact on TT-Line's results and financial position. Depreciation expense for the vessels totalled $7.37 million. The calculation of vessel depreciation requires estimation of asset useful lives, which involves a high degree of subjectivity. Changes in assumptions can significantly impact depreciation charged.	• Assessing the expertise and independence of experts engaged by management to value the vessels. • Evaluating management's assessment of the valuations provided by the experts. • Evaluating the appropriateness of the valuation methodology applied to determine fair values. • Examining the treatment of capital and maintenance expenditures, and considering their impact on the vessels' valuation. • Evaluating management's assessment of the useful lives of the vessels. • Performing analytical procedures on depreciation expense. • Evaluating the adequacy and completeness of disclosures in the financial statements in accordance with the relevant Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' Report for the year ended 30 June 2022, 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

15 August 2022
Hobart

DIRECTORS' DECLARATION

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

   a) the financial statements and notes that are set out on pages 13 to 60 are in accordance with the *Corporations Act 2001* (Cth), including:
      i. giving a true and fair view of the Company's financial position as at 30 June 2022 and its performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

2. The Directors have been given the declarations specified in section 295A of the Corporations Act from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2022.

3. The Directors draw attention to page 18 of the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

On behalf of the Directors

M Grainger, Chairman

Y Rundle, Audit Chair

Directors

Hobart, 12 August 2022

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $'000	2021 $'000
REVENUE			
Operating revenue	A1	238,274	212,181
Investment revenue	A1	461	473
Other revenue	A1	2,059	1,212
Other gains	A1	11	39
Total revenue		**240,805**	**213,905**
Employee benefit expenses	A2	(63,571)	(58,169)
Other expenses	A2	(169,888)	(133,759)
Finance costs	A2	(3,121)	(357)
Asset revaluation	B3	(24,257)	(31,234)
(LOSS)/PROFIT BEFORE TAX		**(20,032)**	**(9,615)**
Tax-equivalent benefit/(expense)	A3	6,005	2,881
(LOSS)/PROFIT FOR THE YEAR		**(14,027)**	**(6,734)**

This statement should be read in conjunction with the accompanying notes

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $'000	2021 $'000
(LOSS)/PROFIT FOR THE YEAR		**(14,027)**	**(6,734)**
Other comprehensive income/(expense) for the year, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Recognised actuarial gains/(losses)	C3	1,387	833
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	(416)	(250)
Items that may be reclassified subsequently to profit or loss			
Cashflow hedging reserve gains/(losses)	D4	(19,166)	15,729
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	5,750	(4,719)
Total other comprehensive income/(expense) for the year, net of tax		**(12,445)**	**11,593**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**(26,472)**	**4,860**

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

SPIRIT OF TASMANIA

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Note	2022 $'000	2021 $'000
CURRENT ASSETS			
Cash and cash equivalents	B1	114,328	80,471
Investments	B1	20,000	30,000
Trade and other receivables	B2	21,041	19,249
Inventories	B7	4,644	3,550
Income tax receivable		1,042	2,198
Financial assets	B2	9,362	5,009
Other assets	B2	2,083	897
TOTAL CURRENT ASSETS		**172,500**	**141,374**
NON-CURRENT ASSETS			
Property, plant and equipment	B3	365,994	330,307
Intangibles	B4	75	627
Deferred tax asset (net of deferred tax liability)	A3	1,690	–
Financial assets	B2	–	6,582
TOTAL NON-CURRENT ASSETS		**367,759**	**337,516**
TOTAL ASSETS		**540,259**	**478,890**
CURRENT LIABILITIES			
Trade and other payables	B6	14,164	8,945
Contract liabilities	B9	33,389	25,301
Lease liability	D2	10,959	787
Employee provisions	C1	17,560	16,586
Other provisions	B8	8,284	–
Financial liabilities	B6	10,755	–
Other liabilities	B6	138	93
TOTAL CURRENT LIABILITIES		**95,249**	**51,712**
NON-CURRENT LIABILITIES			
Deferred tax liability (net of deferred tax asset)	A3	–	10,805
Lease liability	D2	28,511	340
Employee provisions	C1	7,258	8,787
Other provisions	B8	604	–
Financial liabilities	B6	6,182	–
TOTAL NON-CURRENT LIABILITIES		**42,555**	**19,932**
TOTAL LIABILITIES		**137,804**	**71,644**
NET ASSETS		**402,455**	**407,246**
EQUITY			
Share capital	D1	328,981	328,981
Contributed equity	D1	150,013	128,332
Cashflow hedging reserve	D4	(5,302)	8,114
Accumulated losses		(71,237)	(58,181)
TOTAL EQUITY		**402,455**	**407,246**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Note	Share capital Contributed equity $'000	Issued capital $'000	Cashflow hedging reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2020		**81,000**	**328,981**	**(2,896)**	**(35,796)**	**371,289**
Profit/(loss) for the year		–	–	–	(6,733)	**(6,733)**
Other comprehensive income/(expense) for the year	D4	–	–	11,010	583	**11,593**
Total comprehensive income/(expense) for the year		–	–	**11,010**	**(6,150)**	**4,860**
Payment of dividends		–	–	–	(16,235)	**(16,235)**
Net equity contribution received/(returned)	D1	47,332	–	–	–	**47,332**
Balance at 30 June 2021		**128,332**	**328,981**	**8,114**	**(58,181)**	**407,246**
Profit/(loss) for the year		–	–	–	(14,027)	**(14,027)**
Other comprehensive income/(expense) for the year	D4	–	–	(13,416)	971	**(12,445)**
Total comprehensive income/(expense) for the year		–	–	**(13,416)**	**(13,056)**	**(26,472)**
Payment of dividends		–	–	–	–	**–**
Net equity contribution received/(returned)	D1	21,681	–	–	–	**21,681**
Balance at 30 June 2022		**150,013**	**328,981**	**(5,302)**	**(71,237)**	**402,455**

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

SPIRIT OF TASMANIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		293,354	273,780
Interest and foreign currency gains received		381	512
Cash payments in the course of operations		(251,601)	(231,897)
Interest paid		(293)	(4)
Income tax paid		–	(20,073)
Net cash provided by operating activities	A4	**41,841**	**22,318**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		87	170
Payments for property, plant and equipment, and major cyclical maintenance		(30,954)	(131,852)
Dividend paid		–	(16,235)
Net cash (used) by investing activities		**(30,867)**	**(147,917)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net equity contribution received/(returned)		21,680	47,331
Investments		10,000	(30,000)
Repayment of lease liabilities	A4	(8,797)	(3,586)
Net cash (used)/provided by financing activities		**22,883**	**13,745**
Net increase in cash held		33,857	(111,854)
Cash and cash equivalents at the beginning of the financial year		80,471	192,325
Cash and cash equivalents at the end of the financial year		**114,328**	**80,471**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

General information

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

No. 1 Berth, Esplanade

East Devonport Tasmania 7310

Telephone: (03) 6419 9000

The Company is a for-profit entity and its principal activities are providing commercial passenger, vehicle and freight shipping services between Tasmania and mainland Australia. It is a state-owned Company, the shareholders being the Tasmanian Treasurer and the Tasmanian Minister for Infrastructure and Transport.

Basis of preparation

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

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

The Directors authorised the financial statements for issue on 12 August 2022.

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

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

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

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

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

Key judgements and estimates

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

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

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

Note	Assumptions and estimates
B3	Determination of asset residual values and remaining useful lives
B3	Fair value measurement
C1	Employee provisions
C3	Post-employment benefits
D4/D5	Fair value measurement of financial instruments
B8	Other provisions (including provision for restoration)

Notes to the financial statements

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

the amount in question is significant because of its size or nature

it is important for understanding the results of the Company

it helps explain the impact of significant changes in the Company

it relates to an aspect of the Company's operations that is important to its future performance.

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

These sections comprise:

A – Financial performance

B – Asset platform and operating liabilities

C – People

D – Funding structure, financial assets and risk management

E – Additional information.

Significant changes in the current reporting period

The COVID-19 global pandemic continued to have an impact on operations throughout the 2021/22 year, with passenger numbers and hotel operations affected by the government-imposed border closures and travel restrictions. These restrictions were lifted in part during the second half of the year, which meant the overall impact was not as significant as in the 2020/21 year.

Events after the reporting date

In July 2022 the Company signed long term agreements with TasPorts for the lease of port infrastructure assets in East Devonport Tasmania, for the operations of existing and new vessels. In the opinion of the Directors, there are no other items, transactions or events of a material or unusual nature have arisen between the end of the 2021/22 financial year and the date of this report that could significantly affect the operations of the Company, the results of its operations, or the state of its affairs in future financial years.

A – Financial performance

This section provides further information in respect to the financial performance of the Company for the year ended 30 June 2022. The focus is on revenue, expenses and cash flow disclosures. Certain operational expenses, such as impairments, are disclosed in the notes, with the associated operating asset or liability in section B 'Asset platform and operating liabilities'. Employee-related expenses are disclosed in section C 'People'.

A1 Revenue and other income

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

Disaggregation of revenue	2022 $'000	2021 $'000
Revenue from the provision of passenger services	118,546	98,584
Revenue from the provision of freight services	111,494	106,736
Revenue from the sale of goods on-board (including food and beverages)	6,611	5,205
Revenue from the provision of hotel services (including accommodation, food and beverages)	1,527	1,344
Revenue from rental agreements and gaming	96	312
Operating revenue	**238,274**	**212,181**
Investment revenue and foreign currency gains[1]	**461**	**473**
Other revenue[2]	**2,059**	**1,212**
Other gains/(losses)[3]	**11**	**39**
Total operating revenue	**240,805**	**213,905**

1. Interest income and gains on foreign currency instruments

2. Insurance recoveries and wage subsidy.

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

Recognition and measurement

Revenue from providing passenger and freight services

Revenue from providing shipping services is brought to account on a voyage-by-voyage basis at the date of a vessel's departure. Cash received for future voyages is treated as revenue received in advance, and is disclosed as a liability in the statement of financial position until the date of a vessel's departure. The ageing profile of the revenue received in advance as at the reporting date is included in B9 'Contract liabilities'.

Payment terms depend on the customer contract. Bookings are either paid at the time of booking (79 per cent of bookings were paid at the time of booking compared to 78 per cent last year) or in arrears and recognised as a receivable in the balance sheet. See B2 'Receivables, financial and other assets' for further details.

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

In March 2020, travel restrictions were imposed in response to the COVID-19 pandemic. These restrictions continued at various levels throughout 2021/22 and resulted in a significant decline in revenue from the provision of passenger services compared to previous years prior to the implementation of restrictions. The easing of restrictions in second half of the year meant that the year on year impact was not as significant as in the prior reporting period. Passenger numbers increased by 21 per cent compared to the same period in the prior year, while freight volumes decreased by 5 per cent.

Revenue from the sale of goods onboard

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

Due to ongoing travel restrictions for the first half of the year, there was a significant decline in revenue from the sale of goods on board throughout 2021/22 compared to pre COVID reporting years. On-board food and beverage services were adversely impacted by the decline in passenger numbers, and retail outlets were closed periodically during the year.

Revenue from providing hotel services

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

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

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

The Edgewater Hotel operated as a government-funded quarantine facility from December 2021 to March 2022. All commercial hotel services were suspended during this time. Gaming and bar facilities reopened to the general public in April 2022. Hotel accommodation has been utilised for internal business requirements but remained closed to the general public with the plan to reopen for the Spring travel season.

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 September 2021 until April 2022 at the Edgewater Hotel due to trading as a government-funded quarantine facility.

Investment revenue

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

Other revenue and wage subsidy

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

In response to the COVID-19 pandemic, the Government provided, through employers, a wage subsidy for all eligible quarantine hotel staff (Edgewater Hotel staff) to assist with complying with COVID-19 safety measures for the delivery of hotel quarantine services. The wage subsidy is offset by the increase costs in other employee benefit costs.

A2 Expenses

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

	2022	2021
Employee benefit expenses	**$'000**	**$'000**
Defined contribution plans	6,669	5,603
Defined benefit plans	158	204
Termination benefits[1]	815	485
Other employee benefits[2]	55,929	51,877
Total employee benefit expenses	**63,571**	**58,169**

	2022	2021
Other expenses	**$'000**	**$'000**
Depreciation	23,562	5,554
Amortisation[3]	1,102	2,436
Terminal operations[2]	50,849	51,165
Administration[4]	17,196	12,613
Security	4,167	3,544
Food and beverages	2,532	1,886
Consumables	4,898	4,839
Repairs and maintenance	10,522	8,633
Marine fuel and oil	44,753	35,206
Customer acquisition	10,307	7,883
Total other expenses	**169,888**	**133,759**

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

2. Payments for contracted labour hire have been reallocated from 'Employee benefits' to 'Terminal operations' (2022: $21.7 million; and 2021: $19.8 million).

3. Leasehold improvements and intangibles.

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

		2022	2021
Finance costs	**Note**	**$'000**	**$'000**
Interest cost – defined benefit superannuation plan	C3	271	290
Interest cost – leases		2,294	64
Interest cost – other provisions		556	–
Interest cost – Australian Tax Office (ATO) general interest charge		–	3
Total finance costs		**3,121**	**357**

Recognition and measurement

Employee benefit expenses

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

Depreciation and amortisation

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

A3 Taxation

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

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

	2022	2021
Tax-equivalent expense	**$'000**	**$'000**
Origination and reversal of temporary differences:		
(Decrease)/increase in deferred tax liability	(3,867)	(6,396)
(Increase)/decrease in deferred tax asset	(2,828)	(360)
Increase in provision for income tax (receivable)/payable	689	3,875
Increase in prior year income tax expense (30 June 2021)	1	–
Total tax-equivalent (benefit)/expense	**(6,005)**	**(2,881)**

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

	2022	2021
Current-period tax expense reconciliation	**$'000**	**$'000**
(Loss)/profit before tax-equivalent expense	(20,032)	(9,614)
***Prima facie* tax-equivalent (benefit)/expense[1]**	**(6,010)**	**(2,884)**
Non-deductible entertainment	4	3
Prior period under provision	1	–
Tax-equivalent expense recognised in the current period[2]	**(6,005)**	**(2,881)**

1. The tax rate used for the 2022 reconciliation is the corporate tax rate of 30 per cent (2021 30 per cent) payable by Australian corporate entities on taxable profits under Australian tax law.

2. Related to continuing operations.

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

	2022	2021
Tax recognised in other comprehensive income	**$'000**	**$'000**
Tax-equivalent impact of actuarial (losses)/gains	416	250
Tax-equivalent impact of revaluation in cash flow hedging reserve	(5,750)	4,719
Net tax-equivalent (benefit)/expense attributable to transactions recognised in other comprehensive income	**(5,334)**	**4,969**

Recognition and measurement

Current tax

The tax currently payable/receivable is based on taxable profit/loss for the period ended 30 June 2022. Taxable profit/loss differs from profit/loss as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other periods, as well as items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

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

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

Tax benefits not recognised

Tax benefits not recognised as deferred tax assets were capital losses of $116,000 (2021: $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.

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

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

A4 Cash flows

Cash flows from operating activities

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

Cash provided by operating activities	2022 $'000	2021 $'000
Profit for the year	**(14,027)**	**(6,733)**
Income tax expense/(benefit)	(6,005)	(2,881)
Gain/(loss) on the sale of assets	(11)	(39)
Asset fair value decrement	24,257	31,234
Depreciation	8,262	2,161
Depreciation of right-of-use asset	15,300	3,393
Amortisation	1,102	2,436
Income tax paid/(received)	–	(20,073)
Interest on leases and unwinding of discount of restoration provisions	2,850	64
Movements in working capital		
(Increase)/decrease in trade and other receivables	(1,792)	(3,304)
(Increase)/decrease in inventories	(1,092)	(942)
(Increase)/decrease in prepaid expenses and other assets	(1,186)	1,051
Increase/(decrease) in trade and other payables	5,219	(2,197)
Increase/(decrease) in contract and other liabilities	8,132	16,700
Increase/(decrease) in provisions[1]	832	1,448
Net cash provided by operating activities	**41,841**	**22,318**

1. Excluding movements in provisions through equity.

Recognition and measurement

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

Cash flows from financing activities

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

Reconciliation of liabilities	2022 $'000	2021 $'000
Balance at 1 July	**1,127**	**4,539**
New leases	44,846	–
Interest charges	2,294	64
Changes in fair value	–	110
Changes from financing cash flow:		
Cash repayments	(8,797)	(3,586)
Balance as at 30 June	**39,470**	**1,127**

B – Asset platform and operating liabilities

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

B1 Cash, cash equivalents and investments

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

	2022	2021
Cash and cash equivalents	**$'000**	**$'000**
Cash on hand	42	40
Cash at bank	114,286	80,431
Total cash and cash equivalents	**114,328**	**80,471**

During the reporting period one further instalment of $21.7 million was paid for contracts to build new vessels. This was funded by the vessel replacement fund.

Total unrestricted cash and cash equivalents at the reporting date was $114.3 million (2021: $80.5 million).

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

	2022	2021
Investments	**$'000**	**$'000**
Term deposits (maturity < 12months)	20,000	30,000
Total investments	**20,000**	**30,000**

B2 Receivables, financial and other assets

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

	2022	2021
Trade and other receivables	**$'000**	**$'000**
Trade receivables	16,647	15,837
Allowance for expected credit losses	–	–
Total trade receivables	**16,647**	**15,837**
Other receivables	4,394	3,412
Total trade and other receivables	**21,041**	**19,249**

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

The Company's assessment is made on an individual basis. The tourism industry has been adversely affected by the COVID-19 pandemic and the associated travel restrictions that were initially imposed in March 2020. Whilst restrictions have now been lifted and the tourism industry is returning to pre-pandemic levels, the lasting impact of this on an individual customers' ability to meet payment commitments on time has also been considered in the current-year review of ECLs.

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

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

Ageing past due but not impaired	2022 $'000	2021 $'000
Not past due	13,375	13,280
0–30 days	6,468	5,170
31–60 days	463	591
>60 days	735	208
Total ageing past due but not impaired	**21,041**	**19,249**

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

Financial assets	2022 $'000	2021 $'000
Derivative asset – fuel and foreign currency hedge[1]	9,362	11,591
Total financial assets	**9,362**	**11,591**
Current	9,362	5,009
Non-current	–	6,582
Total financial assets	**9,362**	**11,591**

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

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

Other assets	2022 $'000	2021 $'000
Prepaid expenses and other	2,083	897
Total other assets	**2,083**	**897**
Current	2,083	897
Non-current	–	–
Total other assets	**2,083**	**897**

Recognition and measurement

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

The average credit period taken on all sales of goods and services was 28 days (2021: 30 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 D3 'Financial risk management objectives' for further discussion on how the Company manages its credit risk.

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

B3 Property, plant and equipment

The reconciliation of the opening and closing balances of property, plant and equipment at 30 June 2022 is shown below.

Property, plant and equipment	Vessels at fair value (Level 3) $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Buildings at fair value (Level 3) $'000	Freehold land at cost $'000	Right of use assets at cost $'000	Construction works in progress at cost $'000	Total $'000
Gross book value	189,645	16,510	14,311	2,219	500	7,812	131,876	362,875
Accumulated depreciation	–	(13,091)	(12,615)	(186)	–	(6,677)	–	(32,569)
Closing net book value at 30 June 2021	**189,645**	**3,419**	**1,697**	**2,034**	**500**	**1,136**	**131,876**	**330,307**
Net book value 1 July 2020	219,634	5,029	2,008	2,117	500	4,419	3,430	237,137
Movements in net book value								
Acquisitions	746	134	833	10	–	–	128,446	130,169
Major cyclical maintenance	1,791	–	–	–	–	–	–	1,791
Disposals	–	–	(370)	–	–	–	–	(370)
Re-measurement of right of use liability	–	–	–	–	–	110	–	110
Depreciation and amortisation	(1,292)	(1,744)	(774)	(93)	–	(3,393)	–	(7,296)
Asset revaluation	(31,234)	–	–	–	–	–	–	(31,234)
Closing net book value at 30 June 2021	**189,645**	**3,419**	**1,697**	**2,034**	**500**	**1,136**	**131,876**	**330,307**

Property, plant and equipment								
Gross book value	165,332	16,661	14,673	2,279	500	60,991	155,096	415,532
Accumulated depreciation	–	(14,312)	(12,968)	(282)	–	(21,976)	–	(49,538)
Closing net book value at 30 June 2022	**165,332**	**2,350**	**1,705**	**1,997**	**500**	**39,014**	**155,096**	**365,994**
Net book value 1 July 2021	189,645	3,419	1,697	2,034	500	1,136	131,876	330,307
Movements in net book value								
Acquisitions	911	152	636	58	–	53,180	23,220	78,157
Major cyclical maintenance	6,398	–	–	–	–	–	–	6,398
Disposals	–	–	(275)	–	–	–	–	(275)
Re-measurement of right of use liability	–	–	–	–	–	–	–	–
Depreciation and amortisation	(7,365)	(1,221)	(353)	(95)	–	(15,302)	–	(24,336)
Asset revaluation	(24,257)	–	–	–	–	–	–	(24,257)
Closing net book value at 30 June 2022	**165,332**	**2,350**	**1,705**	**1,997**	**500**	**39,014**	**155,096**	**365,994**

Recognition and measurement

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

Fair value:

- vessels
- buildings

Cost:

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

Fair value

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

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

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

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

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

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

For the year ending 30 June 2022, the fair value of the vessels has been determined with reference to valuations provided by third party valuers. The Company engaged independent valuers to undertake vessel valuations.

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

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

A revaluation increase is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss. In that case, the increase is credited to profit or loss to the extent of the decrease previously expensed. In this regard, $105.2 million of impairment expense has been recognised in profit or loss in previous years relating to the current vessels and Edgewater Hotel. This may be credited to profit in future periods should the fair value of the vessels exceed the carrying amount as at the date of measurement for future reporting.

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

Current valuations

Vessels

Mason Shipbrokers Limited and Simsonship AB provided independent valuations of the vessels at 30 June 2022. As the prevailing market for these types of vessels is predominantly in Europe, the valuation is provided in euros and translated at the prevailing exchange rate at the date when the fair value was measured. No allowance was made for transport costs as they cannot be reliably determined.

The valuation of each vessel, in Australian dollars, decreased from $94.8 million to $82.6 million between

2021 and 2022. The value in euros has decreased from €60.0 million to €54.5 million. The $24.4 million decrease in the fair value of both vessels was the result of an unfavourable movement in the Australian dollar and euro exchange rate and a decrease in the valuation. In addition to the $24.4 million decrease in fair value for both vessels during the year, they were depreciated $7.4 million during the year and underwent $7.3 million worth of improvements and periodic maintenance. The result of these movements was a $24.3 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 $198.6 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.

The past two years have seen the Tasmanian tourism industry be significantly impacted by COVID-19. The Edgewater Hotel has experienced extended periods of both restricted trading and time operating as a quarantine hotel. The ongoing periods of unusual trading patterns impact the ability of a reliable valuation to be prepared, as a result the biennial review of the Edgewater Hotel buildings to fair value have been deferred, for the second time, until 2023.

In the absence of an independent valuation for the Edgewater Hotel, the Directors have reviewed the carrying value of the building for the year ended 30 June 2022 with reference to observable market factors and concluded that the fair value recognised is materially appropriate.

Asset revaluation recognised in profit or loss	**2022 $'000**	**2021 $'000**
Vessels		
Increase/(decrease) in fair value	(24,315)	(29,989)
Improvements and periodic maintenance	(7,309)	(2,537)
Gross revaluation (decrement)	**(31,624)**	**(32,526)**
Depreciation	7,367	1,292
Vessel revaluation recognised in profit or loss	–	–
Asset Revaluation	**(24,257)**	**(31,234)**
Buildings		
Increase in fair value	–	–
Improvements	–	–
Gross revaluation increment	–	–
Depreciation	–	–
Building revaluation recognised in profit or loss	–	–
Total asset revaluation recognised in profit or loss	**(24,257)**	**(31,234)**

Construction works in progress

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

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

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

Depreciation

Depreciation is recognised to write off the cost or valuation of assets (other than freehold land and properties under construction that are not depreciated), less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, and the effect of any 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	27	years
Plant and equipment	3–10	years

Estimations

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

The residual value of the vessels has also been revised with consideration of their current market value and the remaining useful life. The estimated residual value has decreased to $79.9 million from $86.7 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 $4.3 million increase in depreciation in the statement of profit or loss and a corresponding $4.3 million decrease in the carrying value of property, plant and equipment in the statement of financial position.

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

Derecognition of property, plant and equipment

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

Capital expenditure

As at the reporting date, the Company had committed capital expenditure for the vessels' annual dry dock and new build of $734.9 million (2021: $743.6 million on dry docking and new build).

B4 Intangible assets – software

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

	2022	2021
Intangible assets – software	**$'000**	**$'000**
Gross book value	8,456	9,125
Accumulated amortisation	(8,381)	(8,498)
Closing net book value at 30 June	**75**	**627**
Opening net book value at 1 July	627	1,191
Acquisitions	203	128
Software as a Service project costs[1]	(427)	–
Amortisation	(328)	(692)
Closing net book value at 30 June	**75**	**627**

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

Recognition and measurement

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost, less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over 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, financial and other liabilities

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

Trade and other payables	2022 $'000	2021 $'000
Trade and other payables	**14,164**	**8,945**

Financial and other liabilities	2022 $'000	2021 $'000
Financial liabilities	16,937	–
Other liabilities	138	93
Total financial and other liabilities	**17,075**	**93**
Current	10,893	93
Non-current	6,182	–
Total financial and other liabilities	**17,075**	**93**

Recognition and measurement

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

The average credit period received on purchases of goods and services was 15 days (2021: 17 days). The Company has financial risk management policies in place to ensure payables are paid within pre-arranged credit terms where practical.

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

B7 Inventories

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

Inventories	2022 $'000	2021 $'000
Marine fuel	2,764	1,797
Maintenance stock	1,212	866
Food and beverage stock	668	887
Total inventories	**4,644**	**3,550**

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 $74.3 million (2021: $41.6 million).

B8 Other provisions

Restoration

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

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

Restoration Provision	2022 $'000	2021 $'000
Discounted Balance 1 July	–	–
Additions to restoration provision	8,332	–
Depreciation / Interest charge for the year	556	–
Balance at 30 June 2022	**8,888**	**–**
Current	8,284	–
Non-current	604	–
Total other provisions	**8,888**	–

B9 Contract liabilities

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 32,827 bookings (2021: 27,949) for future sailings and the ageing profile at the reporting date is shown below.

Revenue received in advance	**2022**	**2021**
Ageing profile	**$'000**	**$'000**
Overpaid	25	46
1–3 months	33,272	25,138
4–6 months	69	90
6–12 months	17	11
>12 months	6	–
Total revenue in advance	**33,389**	**25,285**

Revenue received in advance reported at 30 June 2021 has either been recognised as revenue or refunded per the Companies agreed terms and conditions. Revenue Received in advance greater than 12 months is due to temporary concessions to standard booking conditions to allow extensions of travel dates in relation to COVID-19 related travel disruptions.

C – People

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

C1 Employee provisions

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

	2022	2021
Provisions	**$'000**	**$'000**
Workers compensation[1]	1,666	1,557
Long service leave	9,022	9,221
Annual leave	8,217	7,594
Defined benefit obligation[2]	5,913	7,001
Total provisions	**24,818**	**25,373**
Current	17,560	16,586
Non-current	7,258	8,787
Total provisions	**24,818**	**25,373**

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

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

Recognition and measurement

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

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

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

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

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

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

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

C2 Director and key management personnel compensation

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

Director and key management personnel compensation	Director remuneration[1]		Executive remuneration[2]		Total	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Short-term employee benefits	326	307	3,556	3,048	3,882	3,355
Post-employment benefits	32	25	265	222	297	247
Long-term benefits	–	–	52	45	52	45
Termination benefits	–	–	102	9	102	9
Total	**358**	**332**	**3,975**	**3,324**	**4,333**	**3,656**

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

2. Executive remuneration short-term employee benefits include base salary, incentive payments, vehicles, other benefits and other non-monetary benefits. Post-employment benefits represent superannuation contributions and other long-term employee benefits, including leave movements. Termination benefits include all forms of benefits paid or accrued as a consequence of termination.

Remuneration principles

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

Non-executive Directors

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

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

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

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

Key management personnel

The Company has a Board-endorsed remuneration policy that is consistent with the Tasmanian Department of Treasury and Finance's guidelines for Director and executive remuneration dated June 2021. Under these guidelines, the remuneration band for the CEO is determined by the Treasurer. Positioning within the bands depends on the complexity and size of the business, and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's remuneration.

The CEO is appointed by the Board. The Board consults with the Treasurer when determining the CEO's remuneration package.

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

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

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

Incentive payments

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

Short-term incentive payments are those that depend on achieving specified performance goals within specified timeframes. These payments are non-recurrent and are capped at a percentage of base salary that is approved by the Company's Board Remuneration Committee. This was 15 per cent for the 2021/22 financial year.

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

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

Short-term incentives	2022
Mr P Davis	24,654
Mr N Harriman	34,699
Ms K Holandsjo	7,633
Ms A Johnson	19,619
Mr K Maynard	10,501
Mr J McGrath	38,037
Mr R Hall	38,745
Ms E Panos	21,838
Ms K Sayers	44,913
Mr I Whitechurch	23,409

Termination benefits

A termination payment of $103,000 was made to Mr Maynard during the current year. Mr Maynard resigned and ceased employment in October 2021. The termination payment represented the balance of accrued leave entitlements.

Acting arrangements

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

Individuals are considered 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.

Directors' remuneration

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

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

2021 Director remuneration[1]	Period	Directors' fees $'000	Committee fees $'000	Superannuation[2] $'000	Total $'000
Non-executive Directors					
Mr M Grainger – Chairman	Full term	81	5	7	93
Mr D Bugg	Full term	41	–	4	45
Capt R Burgess	Full term	41	–	4	45
Ms S Ewart	To November 2020	17	3	1	21
Ms C Filson	Full term	41	5	4	50
Ms H Galloway	Full term	41	5	4	50
Ms Y Rundle	From December 2020	24	2	1	28
Executive Director[3]					
Mr B Dwyer – CEO	Full year	–	–	–	–
Total		**286**	**20**	**25**	**332**

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

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

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

Executive remuneration

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

2022 executive remuneration[1]	Base salary[2]	Incentive payments[3]	Superannuation[4]	Vehicles[5]	Other monetary benefits[6]	Other non-monetary benefits[7]	Total remuneration	Termination benefits[8]	Other long-term benefits[9]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Mr B Dwyer *CEO (full year)*	449	–	24	35	2	–	**510**	–	32	**542**
Mr D Collett *Chief Information Officer (full year)*	207	–	21	29	5	–	**262**	–	15	**277**
Mr P Davis[10] *General Manager Port Operations Head of Strategic Projects (full year)*	206	25	23	20	11	9	**294**	–	9	**303**
Capt R Hall *General Manager Marine Operations (full year)*	277	39	27	50	1	–	**394**	–	32	**426**
Mr N Harriman *General Manager Retail and Hospitality (full year)*	248	35	27	34	7	–	**350**	–	5	**356**
Ms K Holandsjo[11] *General Manager Passenger Sales (full year)*	125	7	13	21	–	1	**167**	–	6	**173**
Ms A Johnson[12] *General Manager Port Operations (full year)*	178	20	20	28	–	48	**294**	–	11	**305**
Mr S Maycock *General Counsel/Company Secretary (from February 2022)*	46	–	5	–	8	–	**59**	–	2	**61**
Mr K Maynard *General Manager Corporate Services (to October 2021)*	70	10	8	15	–	7	**110**	102	(102)	**110**
Mr J McGrath *General Manager Human Resources (full year)*	288	38	27	38	1	2	**394**	–	6	**400**
Ms E Panos *General Manager Marketing (full year)*	182	22	20	29	1	–	**254**	–	7	**261**
Ms K Sayers *Chief Financial Officer (full year)*	299	45	28	36	1	51	**460**	–	25	**485**
Mr I Whitechurch *General Manager Freight Sales (full year)*	195	23	22	29	1	2	**272**	–	4	**276**
Total	**2,770**	**264**	**265**	**364**	**38**	**120**	**3,821**	**102**	**52**	**3,975**

2021 executive remuneration[1]	Base salary[2]	Incentive payments[3]	Superannuation[4]	Vehicles[5]	Other monetary benefits[6]	Other non-monetary benefits[7]	Total remuneration	Termination benefits[8]	Other long-term benefits[9]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Mr B Dwyer *CEO (full year)*	449	–	22	38	1	–	**510**	–	5	**515**
Mr D Collett *Chief Information Officer (from April 2021)*	41	–	4	–	5	–	**50**	–	4	**54**
Mr P Davis[10] *General Manager Port Operations Seconded Head of Strategic Projects (full year)*	201	–	19	22	1	–	**243**	–	1	**244**
Capt R Hall *General Manager Marine Operations (full year)*	270	–	22	2	20	–	**314**	–	18	**332**
Mr N Harriman *General Manager Retail and Hospitality (full year)*	242	–	22	33	1	–	**298**	–	–	**298**
Ms K Holandsjo[11] *General Manager Passenger Sales (full year)*	104	–	10	24	–	1	**139**	–	3	**142**
Ms A Johnson[12] *Acting General Manager Port Operations (full year)*	139	–	13	26	–	–	**178**	–	17	**195**
Mr K Maynard *General Manager Corporate Services (full year)*	205	–	20	23	1	–	**249**	–	7	**256**
Mr J McGrath *General Manager Human Resources (full year)*	285	–	21	35	1	1	**343**	–	(24)	**319**
Mr S Pearce *Chief Information Officer (to January 2021)*	118	–	11	18	1	–	**148**	9	(24)	**133**
Ms E Panos *General Manager Marketing (full year)*	177	–	19	2	18	–	**216**	–	5	**221**
Ms K Sayers *Chief Financial Officer (full year)*	292	–	21	30	1	–	**344**	–	23	**367**
Mr I Whitechurch *General Manager Freight Sales (full year)*	190	–	18	28	1	1	**238**	–	10	**248**
Total	**2,713**	**–**	**222**	**281**	**51**	**3**	**3,270**	**9**	**45**	**3,324**

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 are short 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 the reportable fringe benefits.

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

7. Other non-monetary benefits includes all other benefits that are part of the total remuneration package for the purposes of assessing compliance with the remuneration guidelines (for example, the reportable fringe benefits 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 had been seconded to the role of Head of Strategic Projects, and has now been appointed to the role permanently.

11. Ms K Holandsjo was a member of the key management personnel for the full year. She had three months leave without pay (2021: five months) and has worked part-time in the current reporting period.

12. Ms A Johnson was appointed as acting General Manager Port Operations for the prior financial years and has now been appointed permanently to the role.

C3 Post-employment benefits

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

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

Reconciliation of the net defined benefit liability	**2022 $'000**	**2021 $'000**
Defined benefit obligation	7,202	8,561
Fair value of scheme assets	(1,289)	(1,560)
Net defined benefit liability	**5,913**	**7,001**
Current	102	97
Non-current	5,811	6,904
Net defined benefit liability	**5,913**	**7,001**

Reconciliation of the defined benefit obligation	**2022 $'000**	**2021 $'000**
Present value of defined benefit obligation at the beginning of the period	**8,561**	**9,301**
Current service cost	158	204
Interest cost	271	290
Contributions by plan participants	33	40
Actuarial (gains)/losses arising from changes in demographic assumptions	–	–
Actuarial (gains)/losses arising from changes in financial assumptions	(2,271)	(74)
Actuarial (gains)/losses arising from liability experience	567	(420)
Benefits paid	(116)	(780)
Estimated taxes, premiums and expenses paid	(1)	–
Present value of defined benefit obligation at the end of the period	**7,202**	**8,561**

Reconciliation of the fair value of scheme assets	**2022 $'000**	**2021 $'000**
Fair value of fund assets at the beginning of the period	**1,560**	**1,388**
Interest income	50	44
Actual return on plan assets less interest income	(317)	339
Employer contributions	80	529
Contributions by plan participants	33	40
Benefits paid	(116)	(780)
Taxes, premiums and expenses paid	(1)	–
Fair value of fund assets at the end of the period	**1,289**	**1,560**

Reconciliation of the net defined benefit liability	**2022 $'000**	**2021 $'000**
Net defined benefit liability at the beginning of the period	**7,001**	**7,913**
Current service cost	158	204
Net interest	221	246
Actual return on plan assets less interest income	317	(339)
Actuarial (gains)/losses arising from changes in demographic assumptions	–	–
Actuarial (gains)/losses arising from changes in financial assumptions	(2,271)	(74)
Actuarial (gains)/losses arising from liability experience	567	(420)
Employer contributions	(80)	(529)
Present value of defined benefit obligation at the end of the period	**5,913**	**7,001**

Plan information

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

Regulatory framework

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

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

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

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

Governance responsibilities

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

Recognition and measurement

Valuation techniques

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

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

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

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

Defined benefit costs are categorised as:

service costs (including current and past service costs, as well as the effect of settlements and/or curtailments, if any, during the year)

net interest (notional interest on the Scheme's assets and liabilities)

remeasurement.

Components of defined benefit costs recognised in profit or loss	2022 $'000	2021 $'000
Current service	158	204
Net interest	221	246
Components of defined benefit costs recognised in profit or loss	**379**	**450**

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

The Company presents the following components in other comprehensive income.

Components recognised in other comprehensive income	2022 $'000	2021 $'000
Actuarial (gains)/losses arising from changes in demographic assumptions	–	–
Actuarial (gains)/losses arising from changes in financial assumptions	(2,271)	(74)
Actuarial (gains)/losses arising from liability experience	567	(420)
Actual return on plan assets less interest income	317	(339)
Components of defined (benefit)/cost recognised in other comprehensive income	**(1,387)**	**(833)**

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

During the year the *Public Sector Reform Regulations 2017* (Tas) were amended, but these amendments did not materially affect the defined benefits payable under the Scheme. There were no 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 13 July 2022, 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 3.85 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.

2022 [1]	Quoted prices in active markets for identical assets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Unobservable inputs (Level 3) $'000	Total $'000
Asset category				
Cash and cash equivalents	–	–	–	–
Equity instruments (Australia)	–	224	–	224
Equity instruments (international)	–	272	–	272
Infrastructure	–	43	124	167
Diversified fixed interest	–	287	–	287
Property	–	22	219	241
Alternative investments	–	98	–	98
Total	**–**	**946**	**343**	**1,289**

1. Estimated based on assets allocated to the Company at 30 June 2022 and asset allocation of the Contributory Scheme at 30 June 2021.

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	2022 %	2021 %
Discount rate (active members)	3.20	3.15
Discount rate (pensioners)	3.20	3.15
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	3.00	3.00
Expected pension increase rate	2.25	2.25

Assumptions to determine end of year defined benefit obligation	2022 %	2021 %
Discount rate (active members)	5.35	3.20
Discount rate (pensioners)	5.35	3.20
Expected salary increase rate	3.50	3.00
Expected compulsory preserved amount increase rate	5.50[1]	3.00
Expected pension increase rate	5.50[2]	2.25

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

Sensitivity analysis

The defined benefit obligation at 30 June 2022, under several scenarios, is presented below. Scenarios A and B relate to discount rate sensitivity, while scenarios C and D relate to expected pension increase rate sensitivity. They are:

Scenario A: 1.00 per cent per annum lower discount rate assumption

Scenario B: 1.00 per cent per annum higher discount rate assumption

Scenario C: 1.00 per cent per annum lower expected pension increase rate assumption

Scenario D: 1.00 per cent per annum higher expected pension increase rate assumption.

	Discount rate % pa	Pension increase rate % pa	Defined benefit obligation $'000
Base case	5.35	2.50	7,202
Scenario A	4.35	2.50	8,377
Scenario B	6.35	2.50	6,266
Scenario C	5.35	1.50	6,555
Scenario D	5.35	3.50	7,981

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

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

Asset and liability matching strategies

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

Funding arrangements

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

Expected employer contributions	2023 $'000
Expected employer contributions in 2023	102

Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation for the Company is 15.3 years.

Reconciliation of the effect of the asset ceiling

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

D – Funding structure, financial assets and risk management

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

D1 Capital management

The Company's capital structure at the reporting date consists of net cash (cash and cash equivalents and investments) and the equity of the Company (comprising issued capital, contributed capital, reserves and retained earnings), with a net equity position at the reporting date of $402.5 million (2021: $407.2 million).

The Company has an unlimited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and a right to dividends.

During the year the Company received $21.7 million (2021: $47.3 million made up of $128.3 million contributed equity offset by $81.0 million returned funds) of contributed equity from the legislated vessel replacement fund. No additional voting rights were issued.

	2022	2021
Share capital	**$'000**	**$'000**
Ordinary shares fully paid 328,981,119 (2021: 328,981,119)	**328,981**	**328,981**

The Company manages its capital to ensure it will be able to continue as a going concern while maximising the benefit to stakeholders. The Company's overall strategy remains unchanged from 2021.

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

D2 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) hardware and gym equipment. All leases are non-cancellable. The weighted average remaining lease term is 3.92 years.

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

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

In July 2022, the Company entered into a five-year lease with TasPorts for Berth No. 1 East at the Port of Devonport, while redevelopment occurs at Berth No. 3 East and other areas of the precinct. The lease for Berth 1 will expire at the earlier of practical completion of the development of Berth no. 3 East or 1 July 2026. On expiration of the Berth No. 1 East lease, the Company will commence with a new lease for Berth No. 3 East. A right-of-use asset and lease liability for Berth No.1 East has been recognised as at 1 July 2021 for a period to 30 June 2026.

In 2020, the Company entered into an agreement for lease with GeelongPort Pty Ltd to rent a berth at the Port of Geelong for a 30 year term. This had not commenced by the reporting date and as a result, a lease liability and right-of-use asset has not been recognised at 30 June 2022. The aggregate future cash outflows to which the Company is exposed in respect of this contract is $752.3 million (average of $25.1 million per year) over the next 30 years. There is an option for two further terms of 10 years under the lease agreement.

In May 2022 the company entered into a lease for a satellite office in Melbourne from 1 August 2022. The aggregate future cash outflows to which the Company is exposed in respect of this contract is $0.3 million (average of $0.1 million per year) over the next two years and two months. The lease agreement was unconditional at the reporting date and a right of use asset and lease liability has been recognised in the balance sheet.

Minimum lease payments	Under 1 year $'000	1- 5 years $'000	Total $'000
As at 30 June 2022			
Lease payments	9,031	35,254	44,285
Finance charges	(1,959)	(2,856)	(4,815)
Net present value	**7,072**	**32,398**	**39,470**

Minimum lease payments	Under 1 year $'000	1- 5 years $'000	Total $'000
As at 30 June 2021			
Lease payments	802	342	1,144
Finance charges	(15)	(2)	(17)
Net Present value	**787**	**340**	**1,127**

Lease liabilities	2022 $'000	2021 $'000
Total lease liabilities	**39,470**	**1,127**
Current lease liabilities	10,959	787
Non-current lease liabilities	28,511	340
Total lease liabilities	**39,470**	**1,127**

Recognition and measurement

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

The Company as lessor

The Company does not currently lease out any assets and does not hold any sub-leases at 30 June 2022.

The Company as lessee

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

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

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

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

The Company determines its incremental borrowing rate by obtaining interest rates from the Tasmanian Public Finance Corporation, which is the financing arm of the Tasmanian Government, and adjusting for the interest margin that the Company would expect to pay to borrow for a similar term, secured against a similar class of asset in a similar economic environment.

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

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee

the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

Short-term leases and leases of low-value assets

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

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

Right-of-use assets	**Land and buildings $'000**	**Equip-ment $'000**	**Total $'000**
Balance 1 July 2021	1,099	37	1,136
Depreciation charge for the year	(15,279)	(21)	(15,300)
Additions to right-of-use assets	53,178	–	53,178
Balance at 30 June 2022	**38,998**	**16**	**39,014**

Amounts recognised in profit or loss	**2022 $'000**	**2021 $'000**
Leases under AASB 16		
Interest on lease liabilities	2,294	64
Expenses relating to short-term leases	57	137
Expenses relating to leases of low-value assets, excluding short-term leases of low value	242	95

Amounts recognised in statement of cash flows	**2022 $'000**	**2021 $'000**
Total cash outflow for leases	8,797	3,586

Extension options

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

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

D3 Financial risk management objectives

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

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

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

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

Market risk management

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

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

In line with the Board-approved hedging strategy to manage the risks associated with fluctuations in the price of marine fuel, the Company enters into marine fuel swaps to exchange the US dollar–denominated floating price, which is based on the Mean of Platts Singapore Gasoil 10ppm index, into an Australian dollar–denominated fixed price.

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

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

Fuel price sensitivity analysis

The table below summarises the potential impact of reasonably possible changes in the US dollar price of marine fuel on net profit and equity for the period ended 30 June 2022. This only reflects the impact on the financial instrument and does not reflect the cost change of marine fuel as a whole.

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

	Net profit		Equity	
	2022	2021	2022	2021
Marine fuel price	$'000	$'000	$'000	$'000
10% increase	3,065	2,253	1,700	3,608
10% decrease	(4,873)	(2,253)	(1,700)	(3,608)

Exchange rate sensitivity analysis

The following table summarises the potential impact of reasonably possible changes in foreign currency exchange rates on net profit and equity for the period ended 30 June 2022 and comparative period. This analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a change in foreign currency rates only.

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

US$/A$ exchange rate	Net profit 2022 $'000	Net profit 2021 $'000	Equity 2022 $'000	Equity 2021 $'000
10% increase	(4,512)	(2,048)	(1,545)	(3,280)
10% decrease	3,507	2,503	1,889	4,009

€/A$ exchange rate	Net profit 2022 $'000	Net profit 2021 $'000	Equity 2022 $'000	Equity 2021 $'000
10% increase	(1,971)	(11,662)	(104,519)	(61,416)
10% decrease	2,409	14,253	31,805	89,305

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 $0.6 million (2021 increased or decreased by $0.8 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, financial and other assets' for details of the Company's policies relating to the impairment of receivables. The Company has assessed the debts that are past due and determined that a loss allowance for ECL is not necessary at the reporting date.

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

Credit risk pertaining specifically to hedging is mitigated by restricting dealings to highly rated Australian and international banks and/or marine fuel suppliers. Each quarter, a review is undertaken to confirm counterparties' credit standing has not had any deterioration that might impact their ability to meet their obligations under their agreement. A similar review is undertaken before entering into any new agreement.

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

Trade receivables involve a large number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. The Company does not have significant credit risk with any single counterparty. The tourism industry has been significantly impacted by COVID-19, however, looking forward customer trading is strong and the industry as a whole seems to be returning to pre-COVID levels of activity.

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's maximum borrowing limit of $45.0 million (2021: $45.0 million unsecured bank overdraft facility unused). As at 30 June 2022, no borrowings have been required by the Company.

D4 Using derivatives to hedge risk

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

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

	2022	2021
Derivative financial assets	**$'000**	**$'000**
Marine fuel hedge	9,362	5,182
Foreign currency hedge	–	6,409
Total derivative financial assets	**9,362**	**11,591**

	2022	2021
Derivative financial liabilities	**$'000**	**$'000**
Marine fuel hedge	–	–
Foreign currency hedge	16,937	–
Total derivative financial liabilities	16,937	–

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

	2022	2021
Cash flow hedging reserve	**$'000**	**$'000**
Balance at the beginning of the period	8,114	(2,896)
Effective portion of changes in fair value of cash flow hedge	(19,458)	17,066
Ineffective portion of changes in fair value of cash flow hedge recognised in the statement of profit or loss	–	–
Transfer of hedge reserve to statement of profit or loss and comprehensive income	292	(1,337)
Net impact on equity before tax	**(19,166)**	**15,729**
Deferred tax liability arising on market valuation	5,750	(4,719)
Net impact on equity after tax	**(13,416)**	**11,010**
Balance at the end of the period	**(5,302)**	**8,114**

Recognition and measurement

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

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

Hedge accounting

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

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

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

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

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

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

Valuation

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

The fair value of foreign currency forward exchange contracts is based on the mark-to-market valuation of these contracts. Future 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.

2022	**Quoted prices in active markets for identical assets $'000**	**Significant observable inputs $'000**	**Unobservable inputs $'000**	**Total $'000**
Financial assets at FVTPL				
Marine fuel hedge	–	9,362	–	9,362
Foreign currency hedge	–	–	–	–
Total financial assets at FVTPL	–	**9,362**	–	**9,362**
Financial liabilities at FVTPL				
Marine fuel hedge	–	–	–	–
Foreign currency hedge	–	(16,937)	–	(16,937)
Total financial liabilities at FVTPL	–	**(16,937)**	**–**	**(16,937)**

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

There were no transfers between levels during the reporting period.

Derivative financial instruments

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

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

Counterparty risk was considered when measuring the effectiveness of the hedging instruments at 30 June 2022. 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.

2022 – Expected cash flows	Average rate	Under 1 year $'000	1–5 years $'000	More than 5 years $'000	Total $'000
Marine fuel hedge					
Assets ($ per Metric Tonne)	$554.00	9,362	–	–	9,362
Liabilities ($ per Metric Tonne)	–	–	–	–	–
Forward exchange contract					
Assets (A$/€)	–	–	–	–	–
Liabilities (A$/€)	$0.6242	(10,755)	(6,182)	–	(16,937)

2021 – Expected cash flows	Average rate	Under 1 year $'000	1–5 years $'000	More than 5 years $'000	Total $'000
Marine fuel hedge					
Assets ($ per Metric Tonne)	$667.00	4,810	372	–	5,182
Liabilities ($ per Metric Tonne)	–	–	–	–	–
Forward exchange contract					
Assets (A$/€)	$0.6253	199	6,210	–	6,409
Liabilities (A$/€)	–	–	–	–	–

D5 Recognition and measurement of non-derivative financial instruments

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

	2022	2021
Financial assets	**$'000**	**$'000**
Cash and cash equivalents	114,328	80,471
Investments	20,000	30,000
Trade and other receivables	21,041	19,249

	2022	2021
Financial liabilities	**$'000**	**$'000**
Trade and other payables	14,164	8,945

Recognition and measurement

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

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

Financial assets

Financial assets are classified as financial assets at FVTPL, financial assets at other comprehensive income or amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade-date basis.

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

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

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

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

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

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

Financial liabilities and equity instruments

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

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

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

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

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

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

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

> The fair value of financial assets and financial liabilities with standard terms and conditions that are traded on active liquid markets is determined with reference to quoted market prices

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

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

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

Non-derivative financial instruments

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

2022 – Interest rate maturity	Floating interest rate $'000	Under 1 year $'000	1–5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Non-derivative financial assets						
Cash and cash equivalents	114,286	–	–	–	42	114,328
Investments	–	20,000	–	–	–	20,000
Trade and other receivables	–	–	–	–	21,041	21,041
Total non-derivative financial assets	**114,286**	**20,000**	–	–	**21,082**	**155,369**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	14,164	14,164
Total non-derivative financial liabilities	–	**–**	**–**	–	**14,164**	**14,164**

2021 – Interest rate maturity	Floating interest rate $'000	Under 1 year $'000	1–5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Non-derivative financial assets						
Cash and cash equivalents	80,431	–	–	–	40	80,471
Investments	–	30,000	–	–	–	30,000
Trade and other receivables	–	–	–	–	19,249	19,249
Total non-derivative financial assets	**80,431**	**30,000**	–	–	**19,289**	**129,720**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	8,945	8,945
Total non-derivative financial liabilities	–	**–**	**–**	–	**8,945**	**8,945**

E – Additional information

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

E1 Auditor's remuneration

The auditor of the Company is the Tasmanian Audit Office. Fees charged for auditing the current year's financial report were $80,000 (2021: $77,140).

E2 Contingent assets and liabilities

At 30 June 2022, 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 Company is currently in negotiations to settle a personal injury claim in relation to an alleged injury on the vehicle deck that occurred in 2018. It is not possible to estimate the amount of any eventual payment that may result in relation to this claim.

E3 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 (2021: $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.

E4 Other accounting policies

Accounting for goods and services tax

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

- where the GST incurred is not recoverable from the taxation authority, which is recognised as part of the cost of acquisition of an asset or as part of an item of expense

- for receivables and payables, which are recognised as inclusive of GST.

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

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

Current/non-current classification

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

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

Adoption of new and revised Australian Accounting Standards

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

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

> AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform Phase 2 [AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16]*

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

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

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments [AASB 1, AASB 3, AASB 116, AASB 137 & AASB 141]*	1 July 2022	30 June 2023
AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date [AASB 101].*	1 July 2023	30 June 2024
AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]*	1 July 2023	30 June 2024
AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related Assets and Liabilities arising from a Single Transaction [AASB 112]*	1 July 2023	30 June 2024

The potential impact of the revised Standards and Interpretations on the Companys financial statements has not yet been determined.