ANNUAL REPORT 2013–14

CONNECTING AUSTRALIAN ICONS AND LANDSCAPES TO THE WORLD

SEALINK
Travel Group

BRANDS

CONTENTS

SEALINK TRAVEL GROUP

SeaLink Travel Group is an established, geographically diversified tourism and transport company which provides services in two industries: Transport industry, moving regular commuters and freight between travel destinations; and the Tourism Industry, promoting and packaging holiday destinations, providing tours and delivering tourist to travel destinations.

The company currently has transport and tourism operations across three states of Australia (South Australia, New South Wales and Queensland) and in the Northern Territory.

SeaLink's Operations are conducted through three core business units, they are:

- SeaLink South Australia including Kangaroo Island SeaLink and the Australian Holiday Centre located in Sydney;
- Captain Cook Cruises including PW Murray Princess located in Mannum, South Australia; and
- SeaLink Queensland including SeaLink Northern Territory.

The following services are offered across the businesses:

- Cruises, ferry and charter services on Sydney Harbour and on the Murray River.
- Passenger ferry service in Townville, Queensland and Darwin, Northern Territory.
- Passenger, vehicle and freight service between Kangaroo Island and the South Australian mainland.
- Day tours, extended touring and charter operations on Kangaroo Island and on the South Australia mainland.
- Tour wholesaler to the travel trade.
- Exclusive 4WD foreign language tour adventure based tours.
- Retail travel agencies in Adelaide, Sydney and Townsville.
- Adventure, accommodation and restaurant at Vivonne Bay, Kangaroo Island.

SeaLink Travel Group listed on the Australian Securities Exchange (ASX code: SLK) on the 16th October 2013.

2013–14 SNAPSHOT

ASX
LISTING

HIGHEST
REPORTED
PROFIT

EXTENSION
OF CORE
CONTRACTS
IN TOWNSVILLE

NT
SET–UP

SYDNEY
FLEET
EXPANSION

PENNESHAW
TERMINAL
OPENING

DIVIDENDS
OF 3.66¢
AND 3.7¢

CHAIR REPORT

Dear Shareholder,

In what has clearly been a watershed year for SeaLink Travel Group (SeaLink), the Board of SeaLink is pleased to present our inaugural annual report as a publicly listed company. It has been a busy and successful year for SeaLink through vessel acquisitions and refurbishments, commencement of Darwin operations and our successful listing on the Australian Securities Exchange in October 2013. Importantly, our underlying Net Profit Before Tax was at a record level.

The company recorded a Net Profit After Tax (NPAT) of $7.23m compared to $7.02m for the previous year. Included in the 2013/14 result were share listing expenses of $0.64m (post tax) incurred in the capital raising. Excluding these expenses, underlying NPAT for the year was $7.87m, up 12% over the previous year's underlying NPAT.

LISTING

In October 2013, the Company issued 15,000,000 ordinary shares at an offer price of $1.10, raising gross proceeds of $16,500,000. The offer was heavily over-subscribed and closed early with a subsequent listing of shares on the ASX on 16 October, 2013. Net proceeds were used to repay existing debt as well as to fund the acquisition of 2 new vessels, the MV Elizabeth Cook (Sydney) and the MV James Grant (Darwin). The fund raising has substantially strengthened SeaLink's Balance Sheet for future expansion. It has also provided further liquidity for SeaLink's shareholders.

On behalf of the Board, I thank our shareholders for your confidence in supporting our ASX Listing, for it is your support for the company that is helping make it so successful. We would also wish to thank our advisors and financiers for their counsel and support during the process.

BUSINESS OVERVIEW

The year has seen strong growth in our sales principally from our tourism businesses. Domestic and international travel markets were strong. These were partly supported by the devaluation of the Australian dollar. We continue to receive positive returns from all of our business units.

SEALINK SOUTH AUSTRALIA

In South Australia, we continue to ensure our major business unit continues to service its markets and perform to its utmost ability. The MV Sealion 2000 underwent a major mid-life refurbishment to ensure its ability to service the route for a further 15 years.

We also had pleasure in opening our new ferry passenger terminal at Penneshaw, completed in March 2014. This has substantially enhanced the customer experience to Kangaroo Island and has provided further job opportunities for locals with a new café opened within the terminal. It is yet another investment by Sealink in supporting the communities we serve.

CAPTAIN COOK CRUISES

The key focus has been to re-position and grow the Captain Cook Cruises business to maximise return from our acquisition investment in 2011.

In October 2013, we chartered our first 'rocket' type vessel to Harbour City Ferries as part of a long term commitment. As a result, we ordered a further 3 ferries to be built in addition to the MV Elizabeth Cook which was commissioned in March 2013. This included the MV Mary Reibey in June 2014 and MV Annabelle Rankin in July 2014 and we await the delivery in December 2014 of our 4th vessel. These investments have allowed us to secure further contract work on Sydney Harbour and to optimize the deployment of some of our other vessels.

As part of the continued fleet rationalisation to meet market demand and maintain high standards, 1 vessel was sold during the year.

SEALINK QUEENSLAND AND SEALINK NORTHERN TERRITORY

The Group has taken the opportunity to expand our division and further diversify earnings both by division and geography with the opening of our office in Darwin in the Northern Territory. New ferry contracts to service both Mandorah and the Tiwi Islands were secured during the year and are running to expectation. To meet these contractual commitments, we purchased the MV James Grant and transferred the MV Pacific Cat from Townsville late last year. We also purchased the MV Freedom Sovereign, which now operates from Darwin and replaced the MV Pacific Cat in August 2014.

RESULTS

The company recorded a Net Profit Before Tax (NPBT) of $10.3m compared to $7.9m for the previous financial year. Major contributors to the increase were:

- A substantially higher contribution from SeaLink's Queensland operation compared to 2013, due to lower vessel repairs and maintenance and enhanced revenue growth;
- Expansion in Sydney's core operations through a new contract with Harbour City Ferries, increased patronage for the Hop-On Hop-Off ferry and a very successful October trading period which included the Royal Australian Navy's International Fleet Review;
- Solid revenue growth and contribution from the PW Murray Princess; and
- The full year's trading effect from our Northern Territory business (9 months).

Revenue increased by 13.6% taking the total revenue to $104m.

Our underlying cash flow from operations and the cash position at year end was strong with all banking financial covenants achieved comfortably during the year. Interest bearing debt is now low and down by $5.9m from a year ago despite acquiring 5 vessels and making 1 further commitment to construct another ferry.

As a result of the record year, SeaLink Travel Group directors declared a fully franked 3.7 cents per share dividend, taking the total dividend for the year to 7.36 cents and ahead of our Prospectus commitment.

OUTLOOK

The Board recognises that much work remains to continue to grow the Group's operations, improve our operating efficiency and leverage the synergistic benefits available since growing the business and also listing on the ASX. We are confident we have strong strategies and plans in place and excellent management to deliver the next phase of growth for you, our shareholders.

We believe that the economy is turning and the current economic conditions will steadily improve over the next few years. Additionally, the lower Australian dollar (by comparison to several years ago), has the potential to bring to Australia more international tourists, especially from Asia and increase the number of Australian tourists traveling at home. Our experience in Sydney certainly reflects this trend.

The Company is very well placed to take advantage of this growth. SeaLink is always open to new and expansion opportunities and continues to pursue several of these in our industry sectors of transport and tourism.

Despite the essential distractions of the IPO, the most pleasing aspect of the year was the strong teamwork the whole company displayed and we would like to take this opportunity to thank our dedicated staff across the country for their enthusiasm and dedication to the business.

During the year we welcomed to the Board Ms Lucy Hughes Turnbull, who has been an excellent addition to the Board to broaden the Board's skill base.

I would like to thank my Board colleagues for their continued commitment and who add significant value to the governance of the Group through a diversity of skills and experience.

The Board and Management of SeaLink Travel Group now look forward with great optimism to the future as the Company benefits from an improving economy and the Company's expansion into Darwin and other potential businesses.

G. M. URSINI
CHAIR, SEALINK TRAVEL GROUP

CEO REPORT

In presenting SeaLink Travel Group Ltd's first annual report to shareholders, I am happy to report that our Company has achieved a record profit result, as well as exceeded our prospectus forecast. Our strategy of focusing on the tourism and transport industries in a geographically diverse portfolio is paying off, delivering robust financial results and future growth opportunities.

RESULT OVERVIEW

SeaLink continued its solid sales growth and increased profits to a record level during the 2013/14 financial year.

Revenue increased by 13.6% overall, as a result of strong sales growth in our core businesses of Captain Cook Cruises and SeaLink South Australia together with new business opportunities in Sydney and Darwin.

Net Profit After Tax (NPAT) was $7.23m compared to a NPAT of $7.02m for the previous financial year.

From a comparative perspective, the June 2013 year included an income tax credit of $1.3m to remove a deferred tax liability overstatement whilst the June 2014 year NPAT included the after-tax effect of the share listing costs of $0.9m.

The company recorded a Net Profit Before Tax (NPBT) of $10.3m compared to $7.9m for the previous financial year. Included in the 2013/14 result were ASX listing expenses of $0.9m incurred in the capital raising of $16.5m.

Growth in NPBT reflected increased contributions from all business units – SeaLink South Australia, Captain Cook Cruises and SeaLink Queensland (which includes the new Northern Territory operations). There was a substantially higher contribution from SeaLink's Captain Cook Cruises operations compared to 2013, due to higher turnover and improved margins. During the year revenue growth came from a number of areas, including a new contract with Harbour City Ferries, increased patronage for the Hop-On Hop-Off ferry service and a very successful October trading period which included the Royal Australian Navy's International Fleet Review. The PW Murray Princess also experienced strong revenue and gross margin increases. There was solid growth from SeaLink South Australia's core operations, reflecting increased traffic to Kangaroo Island and improved tour passenger revenue.

Investment continued in our vessel fleet to accommodate new contractual ferry commitments and the expansion into Darwin, with four new vessels added during the year. One further "rocket" type ferry was delivered to Sydney Harbour in early July 2014 and another is under construction and due for delivery late 2014. With these 2 vessels, the overall fleet size will be 26 commercial vessels.

SeaLink continued to invest in its foundations with major upgrades to several vessels and through the construction of a new ferry passenger terminal at Penneshaw on Kangaroo Island.

REVIEW OF OPERATIONS

SeaLink's achievements in its key business segments for the 2014 financial year included:

- Expansion of new ferry services from Darwin to Mandorah and Tiwi Islands in the Northern Territory;
- Additional ferry services in Sydney Harbour with new contractual arrangements with Harbour City Ferries, Biennale Festival and Sydney Convention Centre;
- New 5 year service contracts for both Palm Island and Magnetic Island, Queensland; and
- Upgrades to the MV Sealion 2000, the MV John Cadman 2, the MV Sydney 2000 and the PW Murray Princess vessels.

SEALINK SOUTH AUSTRALIA

The business unit had a solid year where revenue increased by 6% to $53.1m, the result of increased visitors to Kangaroo Island. Passengers, vehicles and freight all increased by around 2%. Our coach tours also experienced strong growth both on Kangaroo Island and in and around Adelaide and South Australia. Coach tour passenger numbers were up 16% overall.

The MV Sealion 2000 underwent a major upgrade, with $2.8m invested in the vessel, including $1.7m in capital equipment. This mid-life refurbishment, with new engines, gearboxes, generators, carpet and air conditioning will generate fuel savings as well as lower repair cost over the next 5 years.

We are continuing to maintain our bus and coach fleet at a high level to ensure a modern fleet presentation for customers. SeaLink purchased two new 53 seat Scania coaches plus three other vehicles for various tours and transfers.

The new passenger terminal at Penneshaw, the gateway to Kangaroo Island, was officially opened by The Minister for Regional Development, Honourable Gail Gago MLC in March, 2014. The Terminal has added further quality to our customer experience, as it includes a cafe and shop selling local Kangaroo Island produce.

CAPTAIN COOK CRUISES

The 2013/14 year saw some major improvements in the business as well as growth in its profitability. In October 2013, SeaLink signed an agreement with Harbour City Ferries, the operator of Sydney Ferries, to provide charter vessels through our subsidiary, Captain Cook Cruises.

The first new state-of-the-art passenger vessel, MV Elizabeth Cook, was delivered in January 2014 and commenced services for Harbour City Ferries in February 2014. A further two vessels were also constructed and put into service, MV Mary Reibey in May 2014 and MV Annabelle Rankin in July 2014.

The Company was awarded a contract for the provision of passenger transfers for the Biennale of Sydney Art Festival along with a three-year arrangement to carry convention-goers to the temporary convention facilities at Glebe Island.

Passenger numbers grew by over 18% in Sydney which helped increase revenue by $7.7m to $39.5m. The Australian Royal Navy's International Fleet Review, a 100 year celebration held in October 2013, on Sydney Harbour resulted in a major influx of tourists and substantially bolstered revenue. Additionally, the annual Vivid Festival in May and June 2014 is becoming increasingly popular as an attraction and bolstered our revenue.

The MV John Cadman 2 was refurbished to provide a modern alternative to our flagship on Sydney Harbour, the MV Sydney 2000. Additionally, we continue to invest to maintain the Sydney 2000 and the Murray Princess as first class vessels.

In January 2014, the Company purchased the MV Freedom Sovereign. This vessel was initially used in Sydney on the popular Hop-On Hop-Off service and as a back-up to the existing annual ferry fleet. In August 2014, the vessel was delivered to Darwin to operate on the Tiwi Island route which allowed the MV Pacific Cat to return to Townsville in Queensland for charter work.

SEALINK QUEENSLAND

Establishing a new ferry operation in Darwin was the focus for the Townsville based business during the year. Revenue from operations was flat as lower charters offset the higher turnover achieved from a permanent five day service into Palm Island while turnover from the Magnetic Island ferry operations grew marginally.

In December 2013, the Company signed a new 5 year contract for a permanent 5 day service to Palm Island. SeaLink also signed a 5 year extension agreement for the Magnetic Island service.

The Company was a key driver in a $1.7m government project to upgrade the wharf facilities on Palm Island. This project, which was officially opened on 16 July 2014, will now allow berthing at regular scheduled times, rather than relying on tidal movements. SeaLink contributed $170,000 to the cost of the new facilities. Revised schedules are now being reviewed to ultimately provide further operational efficiencies.

SEALINK NORTHERN TERRITORY

The Company commenced ferry passenger services from Darwin in the Northern Territory in September 2013. The expansion into Darwin has spread the Group's geographical coverage as well as adding to the company earnings.

Services operate from Cullen Bay, Darwin to Mandorah and from Cullen Bay to the Tiwi Islands. SeaLink, which operates under the SeaLink NT brand, was awarded these tenders following a competitive process.

The vessel, MV James Grant, was purchased in September 2013 to act as the core vessel on the Mandorah route. The MV Pacific Cat, which was based in Townsville, was relocated to Darwin to provide the Tiwi Island service. In August 2014, the MV Freedom Sovereign replaced the MV Pacific Cat on this service.

The Mandorah contract is for a five year period whilst the Tiwi contract was for an initial term of 12 months. However, based on the higher than expected passenger demand for this service, the NT Government has confirmed the extension of this contract until 2018.

FUTURE

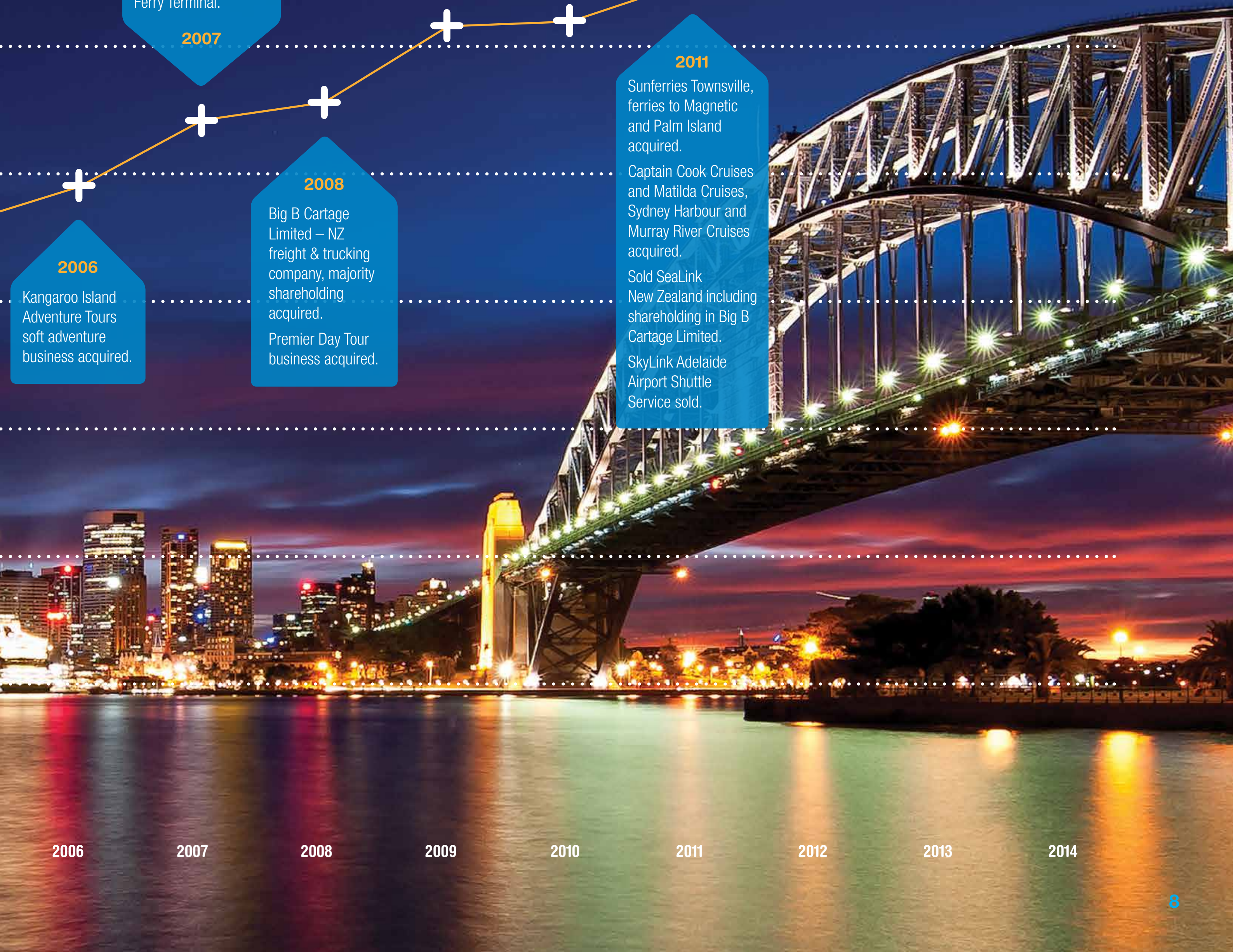
It has been a very rewarding time to be at the helm of such a great diversified tourism and transport company. We are optimistic about the prospects for the Company in the 2015 year for a number of reasons. The medium term outlook for the tourism sector is positive, with continued demand for local tourism products and the increased traffic flow in the international market continuing. SeaLink has substantial capacity to handle increased customers within our current fleet and is well positioned to capitalise on initiatives such as the new Sydney Harbour contracts and the expansion into Darwin.

We are confident in our strategy, which when combined with our great assets and people, will continue to deliver strong shareholder performance next year.

I would like to thank our people, customer, suppliers and shareholders for their support over the past year. We could not achieve our success without all of their support. The hard working and talented people at SeaLink are central to our ongoing success and I look forward to leading the company to future growth and success.

JEFF ELLISON
MANAGING DIRECTOR AND CEO

REVENUE HISTORY



2006

Kangaroo Island Adventure Tours soft adventure business acquired.

2007

Kangaroo Island Booking Centre retail specialist agency acquired.

SeaLink selected as Facility Managers for new Adelaide Central Bus Station.

SkyLink Adelaide Airport Shuttle Service and fleet of coaches acquired.

Vivonne Bay Eco Adventures built Bistro and Function Centre.

CJ's by the Sea café opened at Cape Jervis Ferry Terminal.

2008

Big B Cartage Limited – NZ freight & trucking company, majority shareholding acquired.

Premier Day Tour business acquired.

2010

Kangaroo Island Odysseys 4WD Luxury Touring business acquired.

2011

Sunferries Townsville, ferries to Magnetic and Palm Island acquired.

Captain Cook Cruises and Matilda Cruises, Sydney Harbour and Murray River Cruises acquired.

Sold SeaLink New Zealand including shareholding in Big B Cartage Limited.

SkyLink Adelaide Airport Shuttle Service sold.

2013

Establishment of SeaLink Northern Territory and commencement of ferry services from Darwin.

Listed on the ASX.

2014

Constructed the Penneshaw Terminal, Kangaroo Island.

2006 2007 2008 2009 2010 2011 2012 2013 2014

KEY RESULTS

RESULTS IN BRIEF

	JUNE 2014 $M	JUNE 2013 $M	CHANGE $M	CHANGE %
Revenue from ordinary activities	103.8	92.0	12.4	13.6
Net Profit Before Tax	10.3	7.9	2.4	29.9
Profit from ordinary activities after tax attributable to members	7.2	7.0	0.2	3.0

Note – 2014 includes ASX Listing costs of $0.9m before tax.

DIVIDENDS

	AMOUNT PER SHARE CENTS	100% FRANKED AMOUNT PER SHARE CENTS
30 JUNE 2014		
Interim Dividend	3.66	3.66
Final Dividend	3.70	3.70
30 JUNE 2013		
Interim Dividend	3.66	3.66
Special Dividend	1.7	1.7
Final Dividend	3.575	3.575

1. The record date for determining entitlements to the final dividend of 3.7 cents per share is 3 October 2014. The payment date for the final dividend is 15 October 2014. 2. Final dividend of 3.7 cents per share for the year ended 30 June 2014 was declared 21 August 2014.

NET TANGIBLE ASSETS

	JUNE 2014 $	JUNE 2013 $
Net tangible asset backing per ordinary share	0.623	0.416

The report is based on accounts which have been audited by the auditor of SeaLink Travel Group Ltd.

The company recorded a Net Profit before Tax (NPBT) of $10.3m compared to $7.9m for the previous financial year. Included in the 2013/14 result were share listing expenses of $0.9m incurred in the capital raising of a gross $16.5m. Excluding these expenses, the adjusted NPBT for the year was $11.2m, up 41% over the previous financial year.

DIRECTORS REPORT

The Board of Directors of SeaLink Travel Group Ltd (SeaLink) has pleasure in submitting its report for the year end 30 June 2014.

Directors

The names and details of the company's Directors in office during the financial year and until the date of this report are set out below. Directors have been in office for the entire period unless otherwise stated.

GIULIANO M. URSINI
(B. ARCH, F.R.A.I.A.)
NON-EXECUTIVE CHAIRPERSON

Mr Ursini holds a Bachelor of Architecture degree from the University of Adelaide and is a Fellow of the Royal Australian Institute of Architects. Mr Ursini is Managing Director of architectural firm Ursini Globus Pty Ltd and has operated a construction company and a real estate development company since 1982.

Mr Ursini has been Chairperson of SeaLink since 1996.

JEFFREY R. ELLISON
(BA (ACC), FCA, FAICD)
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr Ellison holds a Bachelor of Arts Degree in Accounting from the University of South Australia, is a Fellow of the Institute of Chartered Accountant Australia and the Institute of Company Directors. He has held the position of Chief Executive Officer since 1997 and appointed Managing Director in 2008.

Mr Ellison is a Board Member of The Adelaide Convention Centre, is Chairperson of the Adelaide Convention Centre Audit and Risk Management Committee and is a Director of Solstice Media Ltd. Mr Ellison has been awarded Life Membership of TTF Australia (Tourism and Transport Forum).

FREDERICK A. MANN
(FCA, MAICD)
NON-EXECUTIVE DIRECTOR

Mr Mann is a Chartered Accountant with over 30 years' experience in the Australian business community. After selling his accounting practice to a national firm he has spent nearly three decades in commercial projects, including investment, real estate, sports and leisure centres, management and tax consulting, and travel and tourism.

Mr Mann is a fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.

Mr Mann has been on the Board of SeaLink since 1996 and is a member of the Company's Audit and Risk Committee.

CHRISTOPHER D. SMERDON
(MAICD)
NON-EXECUTIVE DIRECTOR

Mr Smerdon has extensive experience in the Information Technology field. He founded Protech Australasia Pty Ltd in 1984 and was Managing Director until he sold his interests in 1995. Other Directorships currently held by Mr Smerdon are with the South Australian Government Motorsport Board, Tourism & Allied Holdings Pty Ltd. and Aquaport Corporation.

Mr Smerdon joined the Board in 2002, he is a member of the Company's Audit and Risk Committee.

WILLIAM T. (BILL) SPURR
(B.APP.SCIENCE, B.EC., DIP T. F.A.I.C.D.)
NON-EXECUTIVE DIRECTOR

Mr Spurr's extensive experience in the tourism and hospitality industries dates back to the early 1980's when he was the Executive Director of the Australian Hotels Association. Mr Spurr held the position as Chief Executive of the South Australian Tourism Commission from 1999 until July, 2007.

Mr Spurr is currently Chair of Education Adelaide; a Board member of the Adelaide Entertainment Centre; the Adelaide Festival Centre Trust; SeaLink Travel Group Ltd; the Adelaide Fringe; Hutt Street Foundation and is an adjunct Professor of Tourism at Flinders University.

Mr Spurr joined the Board of SeaLink in 2007, is Chairperson of the Company's Audit and Risk Committee and is a member of the Remuneration and Nomination Committee.

TERRY J. DODD
NON-EXECUTIVE DIRECTOR

Mr Dodd has extensive experience in business management and the marine industry. After qualifying as a commercial diver in the USA and working as a commercial diver in the onshore and offshore oil and gas industry, he successfully established a recreational diving business and a travel agency in North Queensland.

Mr Dodd is Managing Director of Pacific Marine Group Pty Ltd, one of Australia's largest marine construction and commercial diving companies. Mr Dodd was previously Managing Director of Sunferries, a ferry transport business based in Townsville, prior to its sale to SeaLink in March 2011 when Mr Dodd joined the Board of SeaLink.

Mr Dodd is also Managing Director of Sydney Fast Ferries, and Vice Chairperson on the Board of the Australian Festival of Chamber Music based in Townsville.

LUCINDA (LUCY) HUGHES TURNBULL
AO (LLB (USYD), MBA (UNSW))
NON-EXECUTIVE DIRECTOR

Ms Hughes Turnbull is a Director at Turnbull and Partners and Chairperson of ASX listed biotechnology company Prima Biomed Limited, since 2010.

With deep roots in Sydney's business, civic life and Chair of the Committee for Sydney. Ms Hughes Turnbull was Deputy Chair of the COAG Reform Council's Cities Expert Panel advising on its Metropolitan Strategic Planning Report and was the first female Lord Mayor of the City of Sydney from 2003-04. Ms Hughes Turnbull Chaired ASX listed WebCentral Ltd from 2004-06 when it was acquired by ASX listed Melbourne IT Limited. She was a Director of Melbourne IT from 2006-10.

Ms Hughes Turnbull is a Board Member of the Sydney Metropolitan Development Authority and since 2005 has served on the Board of the Redfern Waterloo Authority.

Ms Hughes Turnbull was appointed to the Board of SeaLink on 1st August, 2013 and is Chairperson of the Remuneration and Nomination Committee.

TREVOR WALLER
(B.A (ACC), DIP CORP MANAGEMENT)
COMPANY SECRETARY

Mr Waller is the CFO and Company Secretary of the SeaLink Travel Group, a position he has held since June 2006. He is a former Chartered Accountant and Chartered Secretary who joined SeaLink following a wide range of commercial experience and 8 years in private practice. Mr Waller holds a Diploma in Corporate Management and a Bachelor Degree in Arts.

INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of the Company were:

	NUMBER OF ORDINARY SHARES	NUMBER OF OPTIONS OVER ORDINARY SHARES
GM Ursini (Chairperson)	5,000,000	500,000
FA Mann	3,173,077	375,000
CD Smerdon	6,250,000	375,000
JR Ellison	5,207,769	1,435,000
TJ Dodd	5,400,000	–
WT Spurr	150,000	–
LMF Hughes Turnbull	–	–

DIRECTOR'S MEETINGS

The number of meetings of Directors (including meetings of committees of directors) held during the last financial year and attended by each Director were as follows:

	NUMBER OF BOARD MEETINGS ATTENDED	NUMBER OF AUDIT AND RISK COMMITTEE MEETINGS ATTENDED	NUMBER OF REMUNERATION AND NOMINATIONS COMMITTEE
Number of meetings held:	10	5	2
GM Ursini (Chairperson)	10	-	–
FA Mann	8	5	–
CD Smerdon	9	4	–
JR Ellison	10	5 **	2 **
TJ Dodd	10	–	–
WT Spurr	10	5	2
LMF Hughes Turnbull	7	–	2

*All directors were eligible to attend all meetings held, except for Ms Hughes Turnbull who was eligible to attend nine director's meetings. ** Mr Ellison attended the Board sub-committees by invitation only.*

COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit and Risk Committee and a Remuneration and Nomination Committee.

Members acting on the Committees of the Board during the year were:

Audit and Risk	Remuneration and Nomination
WT Spurr (C)	LMF Hughes Turnbull (C)
FA Mann	WT Spurr
CD Smerdon	

(C) Chairperson

PRINCIPAL ACTIVITIES

The principal activities of SeaLink during the year were in providing:

- Ferry services;
- Tourism cruises, charter cruises and accommodated cruising;
- Coach tours;
- Packaged holidays;
- Travel agency services; and
- Accommodation and restaurant services at Vivonne Bay.

DIVIDENDS

The following dividends of the consolidated entity have been paid, declared or recommended since the end of the preceding financial year:

	CENTS PER ORDINARY SHARE	AMOUNT
Interim fully franked dividend for 2014 paid 15 April 2014.	3.66	$2,597,319
Special fully franked dividend for 2013 and paid 18 July 2013.	1.70	$935,000
Final fully franked dividend for the year ended 30 June 2013 and paid 15 October 2013.	3.575	$1,966,250

On 21 August 2014, SeaLink's directors declared a 3.7 cents per share fully franked final dividend payable on 15 October 2014 to shareholders registered on 3 October 2014. Removing the after-tax effect of share listing costs, this represents a 69% return of after tax profit to shareholders, in line with SeaLink's policy of returning between 50% and 70% of after-tax profit, subject to business needs and ability to pay. The final dividend for the year ended 30 June 2013 was 3.66 cents per share.The Board will continue to consider SeaLink's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future returns.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

LISTING

In October 2013, the Company issued 15,000,000 ordinary shares at an offer price of $1.10 raising gross proceeds of $16,500,000. The Company expended $1,163,721 to raise these funds. Of the amount expended, $249,369 less $74,811 of associated deferred tax asset was allocated to contributed equity whilst an amount of $914,352 was expensed to the profit and loss account.

Following the fully subscribed offer, the Company's ordinary shares were listed on the ASX (ASX code: SLK) on 16 October, 2013.

Net proceeds were used to repay existing debt as well as fund the acquisition of 2 new vessels, the MV Elizabeth Cook (Sydney) and the MV James Grant (Darwin). This has also strengthened SeaLink's balance sheet for future expansion. Interest bearing liabilities reduced by $5.9m during the reporting period whilst cash on hand increased by $3.4m.

Apart from the above and the establishment of the Northern Territory business, there have been no significant changes in the state of affairs of the consolidated entity during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

A fully franked dividend of $2,731,155 representing 3.7 cents per share based on the current number of ordinary shares was declared by the Directors on 21 August 2014 to be paid 15 October 2014.

Apart from the above, there are no significant events after the end of the reporting period which have come to our attention.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Given normal seasonal and business conditions remain over the next year, the business is well positioned to capitalise on the full year benefits of several initiatives implemented in 2014, being the opening of Darwin operations and new Sydney Harbour charter contracts. The Company expects further profit growth in the 2015 financial year.

SHARE OPTIONS

UNISSUED SHARES

As at 30 June 2014, there were 3,781,250 (2013; 7,596,250) unissued ordinary shares under options issued. No options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial year.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the year, Directors, employees and former Directors have exercised options to acquire 965,000 fully paid ordinary shares in SeaLink Travel Group Ltd at an average weighted exercise price of $1.20 per share. A further 2,850,000 options with an average exercise price of $1.38 were sold to external parties and then converted to ordinary shares.

INDEMNIFICATION OF OFFICERS AND DIRECTORS

During the financial year, the Company renewed a contract insuring the directors of the Company (as named above), and all Executive Officers of the Company and of any related body corporate against a liability incurred in their capacity as Directors, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability cover and the amount of the premium.

The Company is party to Deeds of Indemnity in favour of each of the Directors, referred to in this report who held office during the year and certain officeholders of the consolidated entity. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. SeaLink is not aware of any liability having arisen, and no claims have been made, during or since the financial year ending 30 June 2014 under the Deeds of Indemnity.

OTHER

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 14.

NON-AUDIT SERVICES

The following non-audit services were provided by the Company's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Assurance related and due diligence services – $118,450

Signed in accordance with a resolution of the Directors. On behalf of the Directors.

G. M. URSINI
CHAIR, SEALINK TRAVEL GROUP

Adelaide, South Australia
Thursday 21 August 2014

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF SEALINK TRAVEL GROUP LTD

In relation to our audit of the financial report of SeaLink Travel Group Ltd for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Nigel Stevenson
Partner
Adelaide
21 August 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014	NOTE	2014 $	2013 $
CONTINUING OPERATIONS			
Revenue	3 (A)	103,774,764	91,369,723
Interest income		63,258	35,576
Other income	3 (B)	584,145	572,883
Total income		104,422,167	91,978,182
DIRECT OPERATING EXPENSES			
Direct wages		25,421,975	22,098,140
Repairs and maintenance		5,195,364	4,560,582
Fuel		5,345,414	4,445,016
Commission		5,624,581	3,086,424
Meals and beverage		7,126,946	6,118,876
Other direct expenses		25,046,133	25,191,297
ADMINISTRATION EXPENSES			
Indirect wages		11,459,458	10,461,343
General and administration		4,570,407	4,514,699
Marketing and selling		2,178,229	2,256,964
Financing charges	3 (C)	1,262,217	1,332,623
Listing costs	16	914,352	–
Total expenses		94,145,076	84,065,964
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		10,277,091	7,912,218
Income tax expense	4	3,043,612	888,881
Profit for the year from continuing operations		**7,233,479**	**7,023,337**
Profit for the year		7,233,479	7,023,337
Other comprehensive income		–	–
Total comprehensive income for the year, net of tax		**7,233,479**	**7,023,337**
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD IS ATTRIBUTABLE TO:			
Owners of the parent		7,233,479	7,023,337
EARNINGS PER SHARE			
Basic, profit for the period attributable to ordinary equity holders of the parent		0.109	0.128
Diluted, profit for the period attributable to ordinary equity holders of the parent		0.099	0.112

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENT ARE INCLUDED ON PAGES 19–42

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014	NOTE	2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	6	4,447,764	1,005,302
Trade and other receivables	7	2,959,659	2,186,284
Other financial assets	8	89,896	–
Inventories	9	1,375,620	1,035,082
Prepayments		1,391,957	1,253,304
Total Current Assets		10,264,896	5,479,972
NON-CURRENT ASSETS			
Property, plant and equipment	10	67,194,130	50,496,529
Intangible assets	11	6,629,392	6,718,392
Deferred tax assets	4	2,657,961	1,849,424
Total Non-Current Assets		76,481,483	59,064,345
Total Assets		**86,746,379**	**64,544,317**

FOR THE YEAR ENDED 30 JUNE 2014	NOTE	2014 $	2013 $
CURRENT LIABILITIES			
Trade and other payables	12	6,296,246	5,682,337
Unearned revenue	13	3,744,384	2,585,735
Interest bearing loans and borrowings	14	1,511,220	2,238,744
Current tax liabilities		1,705,479	330,474
Provisions	15	3,868,066	3,715,511
Total Current Liabilities		17,125,395	14,552,801
NON-CURRENT LIABILITIES			
Unearned revenue	13	1,492,349	463,824
Interest bearing loans and borrowings	14	12,030,722	17,197,666
Deferred tax liabilities	4	864,436	656,601
Provisions	15	1,290,035	877,897
Total non-current liabilities		15,677,542	19,195,988
Total liabilities		32,802,937	33,748,789
Net assets		**53,943,442**	**30,795,528**
EQUITY			
Contributed equity	16	30,164,004	8,751,000
Reserves	17	464,091	464,091
Retained earnings		23,315,347	21,580,437
Total equity		**53,943,442**	**30,795,528**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED	NOTE	CONTRIBUTED EQUITY $	RETAINED EARNINGS $	SHARE OPTION RESERVE $	TOTAL $
BALANCE AT 1ST JULY, 2012		8,751,000	18,583,100	462,013	27,796,113
Profit for the period		–	7,023,337	–	7,023,337
Total comprehensive income for the period		–	7,023,337	–	7,023,337
Transactions with owners in their capacity as owners					
Dividends paid or provided for	18	–	(4,026,000)	–	(4,026,000)
Share options expense		–	–	2,078	2,078
Balance at 30th June, 2013		**8,751,000**	**21,580,437**	**464,091**	**30,795,528**
BALANCE AT 1ST JULY, 2013		8,751,000	21,580,437	464,091	30,795,528
Profit for the period		–	7,233,479		7,233,479
Total comprehensive income for the period		–	7,233,479	–	7,233,479
Transactions with owners in their capacity as owners					
Dividends paid or provided for	18	–	(5,498,569)	–	(5,498,569)
Issue of share capital	16	21,413,004	–	–	21,413,004
Balance at 30th June, 2014		**30,164,004**	**23,315,347**	**464,091**	**53,943,442**

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		103,441,078	92,015,247
Payments to suppliers and employees		(85,607,976)	(74,980,887)
Net GST paid		(2,057,151)	(3,254,836)
Interest received		63,258	35,576
Interest paid		(1,350,944)	(1,332,623)
Income tax (paid) / received		(2,188,881)	(868,618)
Net operating cash flows	6 (B)	12,299,384	11,613,859
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		286,606	18,315
		286,606	**18,315**
Cash was disbursed to:			
Payments for property, plant and equipment		(19,418,715)	(3,302,337)
Receipt of government grants		1,250,000	250,000
		(18,168,715)	**(3,052,337)**
Net investing cash flows		(17,882,109)	(3,034,022)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital raising	16	20,418,224	–
Proceeds from borrowings		3,150,000	45,000
Repayment of borrowings		(7,742,902)	(6,470,594)
Dividend paid	18	(5,498,569)	(4,026,000)
Net financing cash flows		10,326,753	(10,451,594)
Net increase / (decrease) in cash held		4,744,028	(1,871,757)
Cash at the beginning of the financial year		(296,264)	1,575,493
Cash / (overdraft) at the end of the year ended 30 June	**6 (A)**	**4,447,764**	**(296,264)**

1

CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of Directors on 21 August 2014.

Sealink Travel Group Limited is a for profit company incorporated and domiciled in Australia whose shares are publicly traded. The Company listed on the Australian Securities Exchange on 16 October, 2013. The nature of the operation and principal activities of the Company and its subsidiaries (the Group) are described in the Director's Report.

2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements for the year ended 30 June 2014 have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Standards Board. The financial report is a general purpose financial report, has also been prepared on a historical cost basis and presented in Australian Dollars (AUD). The Group is a for-profit entity for the purposes of preparing the financial report.

COMPLIANCE WITH IFRS

The consolidated financial statements also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE.

Accounting standards and interpretations issued but not yet effective Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2014, are outlined in the table on the following pages:

None of the amendments have a material impact on the Group.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 2013-3	Amendments to AASB 136	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014
AASB 2014-1 Part A Annual Improvements	Amendments to Australian Accounting Standards	This standard sets out the amendments to Australian Accounting Standards arising from the issuance of Annual Improvements to IFRSs 2010-12 Cycle and Annual improvements to IFRSs 2011-13 Cycle and addresses the following- * AASB 8 - Requires the entity to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. The entity is also required to provide a reconciliation of reportable segment assets to the entity's total assets. * AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of valuation technique and that it is calculated as the difference between the gross and net carrying amounts.	1 July 2014	1 July 2014
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross references to other Standards and the Framework that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASb 1031 in all Standards and Interpretations have been withdrawn.	1 January 2014	1 July 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 2014-4	Methods of Depreciation	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future benefits of an asset. The IASB has clarified that the use of revenue based methods to calculate depreciation is not appropriate.	1 January 2016	1 July 2016
IFRS 15	Revenue from contracts	The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. An entity recognises revenue in accordance with that principle by applying various steps set out in IFRS 15.	1 January 2017	1 July 2017
AASB 9/ IFRS 9	Financial Instruments	IFRS 9 replaces IAS 39 and includes a logical model for classification and measurement, a single forward looking “expected loss” impairment model and a substantially-reformed approach to hedge accounting. The new standard requires entities to account for expected credit losses from when the financial instruments are first recognised and to recognise full lifetime losses on a more timely basis. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1 January 2018	1 July 2018

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS THEREOF, ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2013, except for the adoption of new standards and interpretations as of 1 July 2013, noted below:

AASB 10 Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The adoption of AASB 10 had no effect on the financial position or performance of the Group.

Consequential amendments were also made to other standards via AASB 2011-7.

AASB 13 Fair value measurements

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirement for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The adoption of AASB 13 had no effect on the financial position or performance of the Group. Consequential amendments were also made to other standards via AASB 2011-8 which has resulted in additional disclosures around the fair values of financial instruments. Refer to Note 8 for the additional disclosure.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

ACCOUNTING POLICIES WHICH HAVE BEEN SIGNIFICANT IN THE PREPARATION AND PRESENTATION OF THE ACCOUNTS.

A Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

its subsidiaries as at 30 June. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see Note 2(f)).

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

B Financial assets

Forward fuel derivatives are measured at fair value with changes in fair value recognised in profit and loss.

C Inventories

Inventories, which includes spare parts, are valued at the lower of cost and net realisable value. Spare parts are expensed as consumed or when they become obsolete as a result of a change to vessel strategy.

Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on either a first in first out or average cost basis.

D Taxes

Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and the taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted at balance date.

Deferred tax asset and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

E Leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Statement of Comprehensive Income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating leases are not capitalised and payments are charged as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term.

F Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

G Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

H Impairment of assets

At each reporting date, the consolidated entity reviews the carrying value of its tangible and intangible assets and cash generating units to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair market value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

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 an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

I Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Comprehensive Income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets until an asset's residual value is reached. Estimated useful life is as follows:

Buildings	14 – 40 years
Plant and equipment	3 – 20 years
Plant and equipment under lease	Term of the lease
Ferry – at cost	5 – 20 years

J Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the economic entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of Services

For ferry services, revenue is recognised on a departure date basis whereby customers or groups who have paid for travel related services have actually departed on those travel services. The revenue is recognised in the month of the said departure date.

Revenue in relation to retailing of travel services is recognised on a gross basis when customers have paid for their travel services.

Interest

Revenue is recognised as interest accrues using the effective interest method.

Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

K Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above,

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowing in current liabilities on the statement of financial position.

L Trade and other receivables

Trade receivables, which generally have 30 - 60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivable is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

M Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

N Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

O Foreign Currency transactions and balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

P Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Statement of Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Q Tax consolidation and tax sharing

Sealink Travel Group's wholly owned subsidiary, Kangaroo Island Sealink Pty Ltd and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime effective 1/1/05. Sealink Travel Group Ltd is the head entity of the tax consolidated group.

Each of the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

Allocations under the tax funding agreement are made at the end of each reporting period.

The allocation of taxes under the tax funding arrangement is recognised as an increase/ decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company.

R Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

S Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised.

T Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Key Estimates – Impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates, such as passenger numbers, growth rates and terminal value.

Key Estimates – Doubtful debts provision

The consolidated entity assesses the level of doubtful debts at each reporting date by evaluating past performance of bad debts, the level of receivables that are overdue and specific collection responses. These assessments incorporate a number of key estimates around credit assessment and security position.

U Fair values

The Group measures the forward fuel derivative at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3

REVENUES AND EXPENSES

REVENUES AND EXPENSES FROM CONTINUING OPERATIONS	2014 $	2013 $
A REVENUE		
Sales revenue	103,271,715	90,987,931
Rental income	503,049	346,216
	103,774,764	91,369,723
B OTHER INCOME		
(Loss)/profit on the sale of fixed assets	54,560	(7,375)
Fuel derivative income (note 8)	98,536	–
Expired bookings and cancellation fees	253,924	249,088
Other	177,125	366,746
	584,145	608,459
C FINANCE COSTS		
Interest expense		
Other loans	773,546	688,590
Finance leases	221,804	636,768
Finance charges	266,867	7,265
	1,262,217	1,332,623
D DEPRECIATION		
Property, plant and equipment	3,412,240	2,779,465
Leased assets	158,755	289,831
Total depreciation	3,570,995	3,069,296
E EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	28,086,704	26,368,582
Other employee benefits/ entitlements	1,642,733	330,115
Superannuation	2,805,966	2,365,866
Workers Compensation costs	966,495	696,342
	33,501,898	29,760,905
F LEASE PAYMENTS IN INCOME STATEMENT		
Lease and rental expenses	1,727,247	1,669,147
G AUDITOR'S REMUNERATION		
The following total remuneration was received, or is due and receivable, by the auditor Ernst & Young of the parent entity and its affiliates in respect of:		
– Auditing the accounts	125,000	80,000
– Other services - Assurance and due diligence associated with listing	118,450	–
	243,450	80,000
H INVENTORY EXPENSE		
Costs of inventories recognised as an expense	11,108,021	8,918,691

4
INCOME TAX

The major components of income tax expense that relate to continuing operations are:

	2014 $	2013 $
Current tax	3,489,000	2,226,451
Deferred tax	(370,051)	(1,151,393)
Under (over) provision in respect of prior years plus adjustments	(75,337)	(186,177)
Income tax expense reported in the income statement	3,043,612	888,881

TAX EXPENSE RECONCILIATION

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	2014 $	2013 $
Income tax expense calculated at 30% of operating profit	3,083,127	2,373,665
Other	9,122	8,594
Non-deductible expenses (goodwill / share option cost)	26,700	25,468
Amounts under / (over) provided in prior years	(114)	(186,177)
Asset cost base adjustment	(75,223)	–
Tax consolidation benefit	–	(1,332,669)
Income tax expense reported in the consolidated income statement	3,043,612	888,881

DEFERRED INCOME TAX

DEFERRED INCOME TAX AT 30 JUNE RELATES TO THE FOLLOWING:	STATEMENT OF FINANCIAL POSITION 2014 $	STATEMENT OF FINANCIAL POSITION 2013 $	STATEMENT OF COMPREHENSIVE INCOME 2014 $	STATEMENT OF COMPREHENSIVE INCOME 2013 $
Consolidated				
DEFERRED TAX ASSETS				
Provision for doubtful debts	3,778	5,355	1,577	–
Government grants	499,197	70,689	(353,508)	6,491
Accruals	19,500	24,000	4,500	1,177
Capital expense timing differences	302,226	45,234	(176,564)	27,096
Right to Future Income	–	19,607	19,607	(90,753)
Asset timing depreciation differences	285,830	306,517	95,910	5,625
Employee entitlements	1,547,430	1,378,022	(169,408)	(148,647)
Total deferred tax assets	2,657,961	1,849,424		
DEFERRED TAX LIABILITIES				
Accelerated depreciation for tax purposes	765,891	569,443	196,448	(945,667)
Consumables	98,545	87,158	11,387	(6,715)
Total deferred tax liabilities	864,436	656,601		
Deferred Income tax expense			**(370,051)**	**(1,151,393)**

5

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted share computations:

	2014 $	2013 $
Net profit attributable to ordinary equity holders of the parent and for basic earnings and adjusted for the effect of dilution	7,233,479	7,023,337
Weighted average number of ordinary shares for basic earnings per share	66,467,630	55,000,000
Effect of dilution from share options	6,731,360	7,625,000
Weighted average number of ordinary shares adjusted for dilution	**73,198,990**	**62,625,000**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and date of these financial statements.

6

CASH AND CASH EQUIVALENTS

	2014 $	2013 $
A RECONCILIATION OF CASH		
Cash	2,133,019	1,005,302
For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following		
Cash on deposit	2,314,745	–
Total cash	4,447,764	1,005,302
Bank overdraft	–	(1,301,566)
Total cash and cash equivalents	**4,447,764**	**(296,264)**
B RECONCILIATION OF TOTAL COMPREHENSIVE INCOME AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Profit for the year after income tax	7,233,479	7,023,337
Non-Cash Items		
Depreciation and amortisation of non-current assets	3,570,995	3,069,296
Deferred income	(71,639)	(21,639)
Loss/(Profit) on disposal of non-current assets	(54,560)	7,375
Capitalisation of borrowing costs	(88,727)	–
Share Option cost	–	2,078
Goodwill Impairment	89,000	82,819
Share raising costs	994,780	–
Changes in net assets and liabilities		
Tax balances Increase/(Decrease)	774,303	20,264
Current trade receivables Decrease/(Increase)	(773,375)	86,904
Current inventories (Increase)/Decrease	(382,967)	(26,826)
Other current assets Decrease/(Increase)	(186,120)	153,473
Current trade and other creditors Increase/(Decrease)	629,522	721,285
Employee entitlements Increase/(Decrease)	564,693	495,493
Net cash provided by operating activities	12,299,384	11,613,859

7

TRADE AND OTHER RECEIVABLES – CURRENT

	2014 $	2013 $
Trade receivables	2,863,939	1,880,444
Other	108,312	323,689
Allowance for doubtful debts	(12,591)	(17,849)
	2,959,660	2,186,284

Trade receivables are non-interest bearing and are generally on 30-60 day terms. An allowance for doubtful debts is madewhen there is objective evidence that a trade receivable is past due and considered impaired.

ALLOWANCE FOR DOUBTFUL DEBTS	INDIVIDUALLY IMPAIRED	INDIVIDUALLY IMPAIRED
Opening Balance	(17,849)	(17,849)
Charge for the Year	1,167	–
Utilised	4,091	–
Closing Balance	**(12,591)**	**(17,849)**

As at 30 June, the ageing analysis of trade receivables is as follows:

		NEITHER PAST DUE OR IMPAIRED	RECEIVABLES PAST DUE BUT NOT IMPAIRED	RECEIVABLES PAST DUE BUT NOT IMPAIRED	RECEIVABLES PAST DUE BUT NOT IMPAIRED	IMPAIRED
	TOTAL	**0–30 DAYS**	**31–60 DAYS**	**61–90 DAYS**	**OVER 90 DAYS**	
2014 – CONSOLIDATED	2,863,939	2,107,234	602,646	87,452	54,016	12,591
2013 – CONSOLIDATED	1,880,444	1,183,393	548,474	112,225	18,503	17,849

8

OTHER FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets and liabilities at fair value through profit and loss are those fuel forward contracts that are not designated in hedge relationships. These instruments are entered into to reduce the volatility in the fuel cost for a portion of purchases made based on management expectations. The Group does not apply hedge accounting to these contracts.

Although the company has not changed its policy in relation to managing fuel pricing risk, during the year ended 30 June 2014, higher fuel prices created an increase in the value of the fuel forward contracts. As such, a credit to the profit and loss of $98,536 (2013: nil) was recorded. This fuel contract is categorised as Level 2 within the fair value hierarchy. The carrying value of the fuel forward contract at 30 June 2014 was $89,896 (2013: nil) and is measured based on a combination of observable spot rates and the yield curve of the US$ and AUD$ currencies.

9

INVENTORIES

	2014 $	2013 $
Fuel (at cost)	286,054	237,259
Goods held for resale (at cost)	327,383	265,937
Spare parts	762,183	491,344
Total current inventories	**1,375,620**	**1,035,082**

10

PROPERTY, PLANT AND EQUIPMENT

		2014 $	2013 $
LAND AND BUILDINGS			
Cost			
Opening balance		12,914,733	12,865,121
Additions		2,433,376	49,612
Borrowing costs on qualifying asset		88,727	–
Transfers from Capital works-in progress		773,772	–
Disposals		(95,572)	–
Closing balance		16,115,036	12,914,733
Accumulated depreciation			
Opening balance		1,543,383	1,291,218
Disposals		(71,761)	–
Depreciation for the year	3 (D)	278,030	252,165
Closing balance		1,749,652	1,543,383
Total land and buildings, net		**14,365,384**	**11,371,350**
PLANT AND EQUIPMENT			
Cost			
Opening balance		8,927,830	6,683,220
Transfers		864,374	1,765,142
Additions		1,781,526	590,281
Disposals		(315,656)	(110,813)
Closing balance		11,258,074	8,927,830
Accumulated depreciation			
Opening balance		4,754,548	2,660,082
Transfers		641,370	1,387,339
Depreciation for the year	3 (D)	785,945	792,250
Disposals		(248,273)	(85,123)
Closing balance		5,933,590	4,754,548
Total plant and equipment, net		**5,324,484**	**4,173,282**
PLANT AND EQUIPMENT UNDER LEASE			
Cost			
Opening balance		1,747,445	3,512,587
Additions		–	–
Transfers		(864,374)	(1,765,142)
Disposals		–	–
Closing balance		883,071	1,747,445
Accumulated depreciation			
Opening balance		850,248	1,947,756
Depreciation for the year	3 (D)	158,755	289,831
Transfers		(641,370)	(1,387,339)
Disposals		–	–
Closing balance		367,633	850,248
Total leased plant and equipment, net		**515,438**	**897,197**
Cost			
Opening balance		48,485,137	47,083,564
Additions		12,928,568	1,401,573
Transfers from Capital works-in progress		707,878	
Disposals		(150,000)	–
Closing balance		61,971,583	48,485,137

10 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

		2014 $	2013 $
Accumulated depreciation			
Opening balance		15,912,087	14,177,037
Depreciation for the year	3 (D)	2,348,265	1,735,050
Disposals		(9,148)	–
Closing balance		18,251,204	15,912,087
Total ferries, net		**43,720,379**	**32,573,050**
CAPITAL WORKS-IN-PROGRESS			
Opening balance		1,481,650	220,779
Additions		3,268,445	1,260,871
Transfers to ferry/buildings		(1,481,650)	–
Closing balance		3,268,445	1,481,650
Represented by			
Penneshaw Terminal		–	773,772
Ferry		3,268,445	707,878
Total		3,268,445	1,481,650
Total property, plant and equipment, net		**67,194,130**	**50,496,529**

The Group took delivery of 1 "Rocket type" vessel in July 2014 and is also is constructing 1 further "Rocket type" vessel for use on Sydney Harbor, due for completion in the first half of 2014-15. The carrying amount of the Work in Progress for these vessels as at 30 June is $3,268,445 (2013: $707,878 for 2 vessels). Refer also to Note 19 for capital commitments.

11
INTANGIBLE ASSETS

Goodwill – at cost	6,757,912	6,757,912
Less – Accumulated impairment	(128,520)	(39,520)
Total intangible assets, net	6,629,392	6,718,392

Goodwill acquired through business acquisitions has been allocated to the KI Odysseys ($209,000), SeaLink Queensland ($6,420,392) and Australian Holiday Centre Sydney ($128,520) being cash generating units (CGU's). The Group's impairment testing compares the carrying value of each CGU with its recoverable amount as determined using a value in use calculation. The Group performed its annual impairment test at 30 June 2014.

The assumptions for determining the recoverable amount are based on past experience and Senior Management's expectations for the future. The cash flow projections are based on annual financial budgets approved by senior management extrapolated using consistent growth rates for a five-year period. For the SeaLink Queensland CGU, an EBIT ratio of 6 times year 5 earnings has been used to determine the terminal value based on senior management's expectations of market price for this style of business. For KI Odysseys business unit, the terminal value is based on an estimate of goodwill in addition to asset value on hand. A pre-tax discount rate of 12.1% (2013:10.3%) was applied to cash flow projections and terminal value to arrive at the recoverable amount. As a result of the updated analysis, management did not identify an impairment for either of these CGU's.

Key assumptions used in the value in use calculations

The calculation of value in use for both cash generating units is most sensitive to the following key material assumptions:

- Passenger numbers to Magnetic Island - An increase of 1% in traffic has been inbuilt into forecast sales based on increased tourism flow into Australia as well as a growing population base in Townsville.
- Vessel repairs - These are estimated to increase at CPI (3% assumed) adjusted for the significant rebuild of the vessel "Reef Cat" in 2015.
- Passengers for KIO - An increase of 1-2% in traffic has been inbuilt to the forecast based on increased tourism flow into Australia, increased marketing focus and higher on-line sales expected.

During the 2014 financial year, goodwill of $89,000 in relation to the Australian Holiday Centre Sydney, which provides retail travel services, was fully provided for as the financial performance could no longer justify the carrying of goodwill.

12
TRADE AND OTHER PAYABLES

	2014 $	2013 $
CURRENT (ALL UNSECURED)		
Trade creditors (i)	3,779,485	3,849,564
Sundry payables and accruals	2,516,761	1,832,773
Total current trade and other payables	6,296,246	5,682,337

(i) Trade creditors are non-interest bearing and are normally settled on 14-60 day terms.

13
UNEARNED REVENUE

CURRENT		
Deferred income - Government grant	171,639	21,803
Prepaid travel (ii)	3,572,745	2,563,932
Total unearned revenue	3,744,384	2,585,735
NON-CURRENT		
Deferred income - Government grant	1,492,349	463,824
Total non-current payables	1,492,349	463,824

(ii) As part of providing ferry services to passengers, vehicles and freight, and cruises, customers pay a portion or all of the balance owing in advance of the travel. Under revenue recognition principles, the payment for travel is not recognised as revenue until the travel paid for has departed. The balance above therefore relates to bookings with departure dates on or after 1 July 2014 (2012: 1 July 2013).

GOVERNMENT GRANTS

During the year, grants of $1,250,000 (2013: $250,000) were received in relation to the construction of the Penneshaw Terminal. All grants are released to income equally over the expected useful life of the asset following completion of the Penneshaw Terminal. Previous grants released to income totalled $71,639 (2013:$21,639).

14
INTEREST BEARING LOANS AND BORROWINGS

CURRENT		
Secured:		
Bank Overdraft (i)	–	1,301,566
Bank loans (i)	–	–
Lease liabilities (ii) (Note 19)	1,511,220	937,178
Total current interest bearing liabilities	1,511,220	2,238,744
NON-CURRENT		
Secured:		
Bank loans (i)	5,990,712	12,500,000
Lease liabilities (ii) (Note 19)	6,040,010	4,697,666
Total non-current interest bearing liabilities	12,030,722	17,197,666

(i) Security, terms and conditions - Loans and Overdraft. First registered mortgage over property situated at Penneshaw, Kangaroo Island.

First ranking registered company charge over all the assets and undertakings of all asset holding and trading subsidiaries.

Registered ship mortgages over all vessels in the fleet that are not leased.

Various guarantee facilities have been provided as surety on a range of lease contracts.

First registered mortgage over Neutral Bay Marina and Registered Mortgage over the Neutral Bay seabed lease.

Bank loans have been drawn down under an interchangeable bill facility with ANZ which matures 30 January 2016. $6m of the facility is fixed rate with $4m maturing March 2015 and $2m maturing May, 2015. The balance comprises short term variable rate bills.

The Company also has an interchangeable facility with a limit of $7m with ANZ for hire purchase and lease facilities. This limit is reviewed annually.

During the current year, there were no defaults or breaches.

(ii) Effectively secured over the assets leased. Leases are fixed rate with a lease term of between 48 and 60 months.

Committed financing facilities of $28,454,575 (2013: $30,574,000) were available to the consolidated entity at the end of the financial year. As at that date, $14,256,926 (2013: $20,346,204) of these facilities were in use.

Borrowing and repayment of debt

Following the listing of the Company on the ASX and the consequent receipt of the gross proceeds of $16.5m from the listing, borrowings of $13.1m were repaid as the associated bill based loans matured in October and November, 2013.

15

PROVISIONS

	2014 $	2013 $
Current Dividends (refer note 18)		
Opening balance	–	–
Paid during the year	(5,498,569)	(4,026,000)
Declared during the year	5,498,569	4,026,000
Closing balance	–	–

Subject to profitability, cash flow and the ability to pay, future dividends will be paid in April (interim) and October (final) each financial year.

CURRENT

Employee entitlements	3,868,066	3,715,511

NON-CURRENT

Employee Entitlements	1,290,035	877,897

16

CONTRIBUTED EQUITY

	CONTRIBUTED EQUITY		NO. OF SHARES ON ISSUE	
	2014 $	2013 $	2014 $	2013 $
ISSUED AND FULLY PAID ORDINARY SHARES (NO ISSUED SHARES NOT FULLY PAID)				
Opening balance	8,751,000	8,751,000	55,000,000	55,000,000
Conversion of Options (refer Note 22)	5,087,562	–	3,815,000	–
Issue of 15,000,000 shares in October 2013	16,325,442	–	15,000,000	–
Total	30,164,004	8,751,000	73,815,000	55,000,000

In October 2013, the Company issued 15,000,000 ordinary shares at an offer price of $1.10 raising gross proceeds of $16,500,000. The Company expended $1,163,721 to raise these funds. Of this gross amount, $249,369 less $74,811 of associated deferred tax asset was allocated to contributed equity whilst an amount of $914,352 was expensed to the profit and loss account. Following the fully subscribed offer, the Company's ordinary shares were listed on the ASX. Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value shares in respect of issued shares.

17

RESERVES

	2014 $	2013 $
SHARE OPTION RESERVE		
Opening Balance	464,091	462,013
Share option expense	-	2,078
Closing balance	464,091	464,091

The Share Option reserve is used to record the value of options issued to directors and employees as part of their remuneration. Refer to Note 22 for further details of these option plans.

18

DIVIDENDS PAID AND PROPOSED

	2014 $	2013 $
DIVIDENDS ON ORDINARY SHARES DECLARED AND PAID DURING THE PERIOD		
Interim dividend for 2014: 3.66 cents (2013: 3.66 cents)	2,597,319	2,013,000
Final dividend for 2013: 3.575 cents (2012: 3.66 cents)	1,966,250	2,013,000
Special dividend for 2013 paid July 2013: 1.7 cents (2012: nil)	935,000	–
DIVIDENDS ON ORDINARY SHARES PROPOSED FOR APPROVAL (NOT RECOGNISED AS A LIABILITY AS AT 30 JUNE)		
Final dividend for 2014: 3.7 cents (2013: 3.575 cents)	2,731,155	1,966,250
FRANKING CREDIT BALANCE		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year	5,988,094	6,153,837
Franking debits arising from a dividend paid 18th July, 2013.	–	(400,714)
Franking credits that will arise from the payment of income tax as at the end of the financial year.	1,705,479	150,000
	7,693,573	**5,903,123**

19

COMMITMENTS AND CONTINGENCIES

	2014 $	2013 $
A CAPITAL COMMITMENTS		
Penneshaw Terminal (gross unexpended amount)	–	2,697,005
Vessels and buses	2,460,006	–
B COMMITMENTS UNDER NON-CANCELLABLE		
Operating Leases:		
Not later than one year	2,219,360	2,879,304
Later than one year but not later than five years	6,050,940	4,751,484
Later than five years	2,985,205	2,660,172
	11,255,505	10,290,959
C FINANCE LEASE COMMITMENTS		
Not later than one year	1,511,220	1,326,242
Later than one year but not later than five years	7,018,828	5,302,270
Minimum lease payments	8,530,048	6,628,512
Future finance charges	(978,818)	(993,668)
Net finance lease liability	**7,551,230**	**5,634,844**
Included in Interest Bearing Loans and borrowings (Note 14) as:		
Current liability	1,511,220	937,178
Non-current liability	6,040,010	4,697,666
	7,551,230	**5,634,844**

D OPERATING LEASE COMMITMENTS — SEALINK AS LESSOR

The Group has entered into a property sub-lease for a portion of its tenancy at the Townsville terminal. The sub-lease is for a term of 2 years and contains a clause to enable upward revision of the rental charge on an annual basis based on CPI movement.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:	2014 $	2013 $
Within one year	83,110	22,000
After one year but not more than five years	20,778	–
	103,888	**22,000**

CONTINGENCIES

There were no contingencies of material note as at 30 June 2014 (2013: Nil).

20

EVENTS REPORTED AFTER BALANCE DATE

A fully franked dividend of $2,731,155 representing 3.7 cents per share based on the current number of ordinary shares was declared by the Directors on 21 August 2014 to be paid 15 October 2014. Apart from this matter, no events have occurred subsequent to year end which would, in the absence of disclosure, cause the financial report to be misleading.

21

INFORMATION RELATING TO SEALINK TRAVEL GROUP LIMITED ('THE PARENT ENTITY')

	2014 $	2013 $
Current Assets	–	–
Noncurrent Assets	36,154,692	13,361,836
Total Assets	36,154,692	13,361,836
Current Liabilities	1,705,479	330,474
Non-current Liabilities	4,290,827	4,280,362
Total Liabilities	5,996,306	4,610,836
Net Assets	**30,158,386**	**8,751,000**
Contributed equity	30,158,386	8,751,000
Reserves	464,091	464,091
Retained profits	(464,091)	(464,091)
Total Parent Equity	30,158,386	8,751,000
Profit or loss of the parent entity	5,498,569	4,023,922
Total comprehensive income of the parent entity	5,498,569	4,023,922

The parent has entered into various cross-guarantees with its subsidiaries to support borrowings across the Group.

22

SHARE OPTION PLANS

	30 JUNE 2014	30 JUNE 2013
A RECOGNISED SHARE-BASED PAYMENT EXPENSES		
Expense arising from options issued in 2012	–	2,078
Total expense	**–**	**2,078**

There were no options granted during the financial year (2013: Nil).

B TYPES OF SHARE OPTION PLANS

Director Options

Under this plan the Company has previously issued the following options:

OPTION CLASS	# OF OPTIONS	OPTION VALUE
A	3,125,000	$219,065
B	3,125,000	$165,940
C	750,000	$39,825

22 SHARE OPTION PLANS – CONTINUED

The main terms associated with the options are:

TYPE OF OPTION	COMMENCEMENT DATE	EXPIRY DATE	EXERCISE PRICE
A	21/10/2009	21/10/2014	$1.20
B	21/10/2010	21/10/2014	$1.40
C	Listing date - 16/10/13	5 years after listing date (16/10/18)	$1.40

The options can be exercised anytime between commencement date and expiry date, but subject to the Company's share trading policy. There are no cash settlement alternatives in place. The Company does not have a past practice of cash settlement for these share options.

EMPLOYEE SHARE OPTION PLAN "ESOP"

Share options are granted to senior executives with more than 12 months service. The ESOP is designed to align participants interests with those of shareholders. When a participant ceases employment prior to the vesting of their share options, the share options are forfeited.

The following table illustrates the number and weighted average exercise price ("WAEP") of and movements in all share options during the year.

		2014		2013
	NUMBER	WAEP	WAEP	WAEP
Outstanding at the beginning of the year	7,596,250	1.31	7,596,250	1.31
Granted during the year (under the Employee Share Option Plan)	–	n/a	–	n/a
Sold and exercised during the year	(2,850,000)	1.38	–	n/a
Exercised during the year	(965,000)	1.20	–	n/a
Outstanding at year end	3,781,250	1.28	7,596,250	1.31

THE OUTSTANDING BALANCE IS REPRESENTED BY	2014	2013
TYPE OF OPTION		
A	2,233,125	3,423,125
B	798,125	3,423,125
C	750,000	750,000
	3,781,250	**7,596,250**

The weighted average fair value of options granted was $0.0608 cents per option.

C OPTION PRICING MODEL

The fair value of options granted in previous years was estimated at the date of the grant using a Binomial Model taking into account the terms and conditions upon which the options were granted. Based on using this method and the following key assumptions, the various option Classes have been valued as follows:

	CLASS A	CLASS B	CLASS C
Strike Price	$1.20	$1.40	$1.40
Underlying current value	0.80	0.80	0.80
Dividend rate	7.5%	7.5%	7.5%
Risk Free Rate	5.2%	5.2%	5.2%
Volatility	40%	40%	40%
Option Life (days)	1,825	1,825	1,825
Assumed option life (days)	1,369	1,369	1,369
Discount for liquidity	30%	30%	30%
Valuation per Option	$0.0701	$0.0531	$0.0531

23

RELATED PARTY TRANSACTIONS

A NAMES AND POSITIONS HELD OF KEY MANAGEMENT PERSONNEL IN OFFICE AT ANY TIME DURING THE FINANCIAL YEAR ARE

Directors	
Mr G Ursini	Chairperson – (non-executive)
Mr F Mann	Director – (non-executive)
Mr C Smerdon	Director – (non-executive)
Mr W Spurr	Director – (non-executive)
Mr T Dodd	Director – (non-executive)
Mrs L Turnbull	Director – (non-executive) – Appointed 1st August, 2013
Mr J Ellison	Managing Director and Chief Executive Officer
Other Key Management Personnel	
Ms D Gauci	General Manager, SeaLink South Australia
Mr T Waller	Chief Financial Officer, Company Secretary
Mr A Haworth	General Manager, Captain Cook Cruises
Mr P Victory	General Manager, SeaLink Queensland

B TRANSACTIONS WITH RELATED PARTIES

During the year, the following purchases/services were made with entities associated with directors at normal market prices

Purchases and services totalling $43,638 from Vectra Corporation Ltd, a company associated with Mr C Smerdon (2013: $19,874);

Purchases and services totalling $101,167 from Coachlines Australia and Tourism and Allied, companies associated with Mr C Smerdon (2013: $50,533);

Purchases and services totalling $28,276 from Pacific Marine, a company associated with Mr T Dodd (2013: $6,881);

Purchases and services totalling $154,336 from Sydney Fast Ferries, a company associated with Mr T Dodd (2013: $131,235).

Purchases and services totalling $164,320 (2013: $162,051) from Teriga Limited, a company associated with Messrs Ursini, Mann, Smerdon and Ellison.

C KEY MANAGEMENT PERSONNEL REMUNERATION

	2014 $	2013 $
Short-Term	1,299,919	1,204,116
Post employment	106,213	101,954
Other long-term benefits - LSL	48,805	45,521
Termination Benefits	–	–
Share-based payment	–	–
	1,454,937	**1,351,591**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. There are no loans to directors or key management personnel.

D OTHER

There were no share options granted during the year under the Employee Share Option Plan (2013; Nil). Ordinary shares totalling 3,815,000 were issued during the year as a result of conversion of share options (2013: Nil).

24

FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables, cash and short-term deposits that derive directly from its operations. The Group also enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by Audit and Risk Committee that oversees the appropriate financial risk governance framework for the Group. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments. The Group is not exposed directly to any material foreign currency risk.

The sensitivity analyses in the following sections relate to the position as at 30 June in 2014 and 2013. It has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives are all constant and on the basis of the hedge designations in place at 30 June 2014.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to keep between 40% and 60% of its borrowings at fixed rates of interest. To manage this, the Group enters into either fixed rate leases for larger assets, holds bill exposure or enters into longer term fixed rate loans. At 30 June 2014, 100% of the Group's interest bearing borrowings are at a fixed rate of interest (2013: 60%). This follows the payout of variable rate bills with proceeds from the share issue in October 2013.

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	WEIGHTED AVE. EFFECTIVE INTEREST RATE		WITHIN 1 YEAR		1 TO 5 YEARS	1 TO 5 YEARS		TOTAL
	2014	2013	2014	2013	2014	2013	2014	2013
Financial Assets								
Floating Rate								
Cash Assets	1.5%	1.1%	4,447,764	1,005,302	–	–	4,447,764	1,005,302
Financial Liabilities								
Floating Rate								
Overdraft	5.20%	5.20%	–	1,301,566	–	–	–	1,301,566
Bills of exchange	3.40%	3.88%	–	–	–	6,500,000	–	6,500,000
Fixed Rate								
Bills	4.94%	4.94%	–	–	5,990,712	6,000,000	5,990,712	6,000,000
Leases	6.04%	6.55%	1,511,220	937,178	6,040,010	4,697,666	7,551,230	5,634,844
Net Exposure			**2,936,544**	**(1,233,442)**	**(12,030,722)**	**(17,197,666)**	**(9,094,178)**	**(18,431,108)**

24 FINANCIAL INSTRUMENTS – CONTINUED

INTEREST RATE SENSITIVITY

At 30 June, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
JUDGEMENT OF REASONABLY POSSIBLE MOVEMENTS		
Movement of +0.5%	15,567	(27,305)
Movement of -1%	(31,134)	54,611

The movements in post tax profit are due to higher/lower interest income from variable rate cash balances.

FUEL PRICE RISK

The Group has entered into a fuel forward derivative to partly hedge any changes in the underlying prices of fuel. A derivative was entered into in May 2013 to hedge 120,000 litres per month at a fixed base price expressed in AUD cents per litre. The hedge runs from May 2014 until April 2015.

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. There are no major concentrations of credit risk.

TRADE RECEIVABLES

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on references, industry knowledge, ability to pay and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored with an analysis reported to the Board monthly.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7. The Group does not hold collateral as security.

FINANCIAL INSTRUMENTS AND CASH DEPOSITS

Credit risk from balances with banks and financial institutions is managed by the Audit and Risk Committee in accordance with the Group's policy. Investments of surplus funds are only placed with one of the 4 major banks.

LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, interchangeable limits, finance leases and hire purchase contracts.

The Group's policy is to ensure that the core funding limits have no less than a 12 month maturity date. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing or alternative lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

YEAR ENDED 30 JUNE 2013	ON DEMAND	0 – 3 MONTHS	3 -12 MONTHS	1-5 YEARS	TOTAL
Interest-bearing loans and borrowings	1,301,566	–	–	12,500,000	13,801,566
Trade and other payables	–	5,682,337	–	–	5,682,337
Financial guarantee contracts	877,798	2,000	–	–	879,798
Leases/hire purchase	–	271,426	665,752	4,697,666	5,634,844
Total	2,179,364	5,955,763	665,752	17,197,666	25,998,545

YEAR ENDED 30 JUNE 2014	ON DEMAND	0 – 3 MONTHS	3 -12 MONTHS	1-5 YEARS	TOTAL
Interest-bearing loans and borrowings	–	–	–	5,990,712	5,990,712
Trade and other payables	–	6,296,246	–	–	6,296,246
Financial guarantee contracts	684,984	–	–	–	684,984
Leases/hire purchase	–	377,805	1,133,416	6,040,010	7,551,231
Total	684,984	6,674,051	1,133,416	12,030,722	20,523,173

24 FINANCIAL INSTRUMENTS – CONTINUED

FAIR VALUES

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial assets and financial liabilities at balance date:

ECONOMIC ENTITY	2014 CARRYING AMOUNT	2014 NET FAIR VALUE	2013 CARRYING AMOUNT	2013 NET FAIR VALUE
FINANCIAL ASSETS				
Cash	4,447,764	4,447,764	1,005,302	1,005,302
Trade and other receivables	2,959,659	2,959,659	2,186,284	2,186,284
Other financial assets – Fuel forward derivative	89,896	89,896	–	–
Financial Liabilities				
Bank Overdraft	–	–	1,301,566	1,301,566
Bill facilities	5,990,712	5,927,827	12,500,000	12,363,076
Lease and hire purchase	7,551,230	7,442,213	5,634,844	5,634,844
Trade and sundry creditors	6,296,246	6,296,246	5,682,337	5,682,337

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Management assessed that cash and short-term deposits, trade receivables, fuel forward derivative, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Although bill facilities held have a maturity longer than 12 months, from a re-pricing perspective, all facilities re-price within 12 months.

Fair values of the Group's bill facilities and lease and hire purchase liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. These have been determined under a Level 2 fair value hierarchy.

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Apart from the listing of the Group on the ASX, no changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2014 and 30 June 2013.

The Group monitors capital using a gearing ratio, which is measured as net interest bearing debt divided by total tangible assets. This ratio aligns with one of the key financier's covenants. The Group's policy is to maintain gearing ratio at less than 60%. As at 30 June 2014, the gearing ratio was 17%.

25 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units by reporting lines and has 4 main reporting segments:

- Kanagaroo Island SeaLink ("KIS"), which offers ferry services, tours in South Australia, packaged holidays, retail travel services and accommodation facilities at Vivonne Bay;
- Captain Cook Cruises ("CCC") which runs tourist cruises, charter cruises ferry passenger services on Sydney Harbour as well as accommodated cuising on the PW Murray Princess; and
- SeaLink Queensland ("SQ") which includes and manages the operations of SeaLink Northern Territory. This unit provides ferry passenger services in Townsville and Darwin as well as offerring packaed holidays;
- Corporate (Head Office), which provides finance, administration and risk management support.

The Board and Executive Committee monitors the operating results of each business unit separately for the purpose of making decisions about strategy, resource allocation, cost management and performance assessment. Segment performance is measured consistently with operating profit or loss in the consolidated financial statements. Group income taxes are managed on a Group basis and are not allocated to the segments below. Transfer pricing between operating segments is on an arm's length basis in a manner similar to transactions with third parties.

25 OPERATING SEGMENT INFORMATION – CONTINUED

YEAR ENDED 30 JUNE 2014	KIS $	CCC $	SQ $	CORPORATE $	ELIMINATIONS $	CONSOLIDATED $
Internal revenue	2,442,230	–	783,599	1,960,038	(5,185,867)	0
External Revenue	50,605,294	39,526,051	13,979,553	311,268		104,422,166
RESULTS						
Capital expenditure	8,675,120	11,392,634	344,161	–	–	20,411,915
Goodwill impairment (note 11)	89,000	–	–	–	–	89,000
Depreciation	1,336,129	1,617,721	580,541	36,604	–	3,570,995
Segment profit before interest and allocations – continuing operations	9,912,300	3,514,474	2,319,082	(4,269,806)		11,476,050
Less Corporate allocations	(3,097,612)	(801,425)	(370,769)	4,269,806		–
Segment profit before interest and tax – continuing	6,814,688	2,713,049	1,948,313	–	–	11,476,050

INTEREST INCOME	63,258
Interest cost and finance charges	(1,262,217)
Segment profit before tax - continuing operations	**10,277,091**

Inter-segment revenues are eliminated on consolidation and reflected in the eliminations column.

YEAR ENDED 30 JUNE 2013	KIS $	CCC $	SQ $	CORPORATE $	ELIMINATIONS $	CONSOLIDATED $
Internal revenue	1,529,081	–	–	1,231,466	(2,760,547)	–
External Revenue	49,156,164	31,863,738	10,821,360	136,921		91,978,182
RESULTS						
Capital expenditure	1,419,518	1,725,262	157,557	–	–	3,302,337
Goodwill	82,819	–	–	–	–	82,819
Depreciation	1,359,800	1,103,807	605,689	–	–	3,069,296
Segment profit before interest and allocations – continuing operations	9,076,717	1,556,437	1,811,134	(3,235,023)	–	9,209,265
Corporate allocations	(2,511,523)	(449,132)	(274,368)	3,235,023	–	–
Segment profit before interest and tax – continuing	6,565,194	1,107,305	1,536,766	–	–	9,209,265

Interest income	35,576
Interest cost and finance charges	(1,332,623)
Segment profit before tax – continuing operations	**7,912,218**

THE FOLLOWING TABLE PRESENTS SEGMENT ASSETS AND LIABILITIES OF THE GROUP'S OPERATING SEGMENTS

AT 30 JUNE 2014	KIS $	CCC $	SQ $	CORPORATE $	ELIMINATIONS $	CONSOLIDATED $
Operating assets	32,012,612	34,691,812	17,333,690	50,304	–	84,088,418
Operating liabilities	16,835,948	8,107,121	5,289,953	–	–	30,233,022
AT 30 JUNE 2013						
Operating assets	22,190,180	24,406,984	16,028,999	68,725		62,694,888
Operating liabilities	14,242,183	13,255,630	5,263,901	–		32,761,715

RECONCILIATION OF ASSETS AND LIABILITIES	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Segment operating assets	84,088,418	62,694,893
Deferred tax assets	2,657,961	1,849,424
Group total assets	86,746,379	64,544,317
Segment operating liabilities	30,233,022	32,761,714
Current tax liabilities	1,705,479	330,474
Deferred tax liabilities	864,436	656,601
Group total liabilities	32,802,937	33,748,789

ASX

ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as of 21 August 2014.

A DISTRIBUTION OF EQUITABLE SECURITIES

(i) Ordinary share capital
73,815,000 fully paid ordinary shares are held by 810 individual shareholders.

(ii) Options
3,781,250 options are held by 9 individual option holders.

Options do not carry a right to vote or to participate in dividends.

The number of shareholders, by size of holding, in each class are:

	FULLY PAID ORDINARY SHARES	OPTIONS
1-1,000	92	0
1,001-5,000	290	0
5,001-10,000	213	0
10,001-100,000	165	2
100,001 and over	50	7
Totals	810	9
Holdings less than a marketable parcel	36	-

B SUBSTANTIAL SHAREHOLDERS

ORDINARY SHAREHOLDERS	NUMBER	%
PRESCOTT NO 22 PTY LTD <THE PRESCOTT NO 22 A/C>	6,250,000	8.467
SARTO PTY LTD <R ZAPPIA & SONS P/FUND A/C>	5,025,000	6.808
SUNROP PTY LTD <SUNROP UNIT A/C>	4,392,175	5.950
HEBDEN PTY LTD <J R ELLISON FAMILY A/C>	4,092,769	5.545

C TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

ORDINARY SHAREHOLDERS	NUMBER	%
PRESCOTT NO 22 PTY LTD <THE PRESCOTT NO 22 A/C>	6,250,000	8.467
SARTO PTY LTD <R ZAPPIA & SONS P/FUND A/C>	5,025,000	6.808
SUNROP PTY LTD <SUNROP UNIT A/C>	4,392,175	5.950
HEBDEN PTY LTD <J R ELLISON FAMILY A/C>	4,092,769	5.545
ARISTOS NOMINEES PTY LTD	3,557,692	4.820
CITICORP NOMINEES PTY LIMITED	3,544,067	4.801
NATIONAL NOMINEES LIMITED	3,515,603	4.763
FLAVON NOMINEES PTY LTD <THE DACRO ACCOUNT>	3,500,000	4.742
EQUILINK PTY LTD <F A MANN FAMILY A/C>	3,173,077	4.299
BELAHVILLE PTY LTD	2,625,000	3.556
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	2,003,822	2.715
LASHMAR NOMINEES PTY LTD	1,945,000	2.635
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,934,629	2.621
APREMONT PTY LTD <WITTMANN RETIREMNT FUND A/C>	1,843,077	2.497
FLAVON NOMINEES PTY LTD <URSINI ASSOC ARCH PL SF A/C>	1,500,000	2.032
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,476,856	2.001
SAN LURO PTY LTD	1,175,000	1.592
GLADYS WILLSON	1,172,500	1.588
MR JEFFREY ROY ELLISON & MRS TONI ALICE ELLISON <ELLISON SUPER FUND A/C>	1,115,000	1.511
MR KEVIN WILLSON	1,102,500	1.494

Building a better working world

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEALINK TRAVEL GROUP LTD

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of SeaLink Travel Group Ltd, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of SeaLink Travel Group Ltd is in accordance with the *Corporations Act 2001*, including:
   - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 45 to 51 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of SeaLink Travel Group Ltd for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Nigel Stevenson
Partner
Adelaide
21 August 2014

REMUNERATION REPORT

This remuneration report, which forms part of the Director's Report, sets out the remuneration arrangements of the Group for Directors and its Senior Management for the financial year ended 30 June 2014. It also details remuneration policies and results and outlines the links between remuneration and results, both financial and non-financial.

The term 'Key Management Personnel' ("KMP") refers to those having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Group. The term "Executive" includes the Chief Executive Officer (CEO) and other Senior Executives of the Parent and the Group.

This information has been audited as required by section 308 (3C) of the Act.

Details for each person covered by this report are set out under the following headings:

1. Key Management Personal;
2. Remuneration philosophy;
3. Remuneration of KMP;
4. Executive contracts;
5. Option and shareholding of KMP; and
6. Remuneration governance.

1 KEY MANAGEMENT PERSONNEL ("KMP")

The Directors and other KMP of the Group during or since the end of the financial year were:

NON–EXECUTIVE DIRECTORS (NED)

G Ursini – Chairperson

W Spurr – Director (non-executive)

F Mann – Director (non-executive)

T Dodd – Director (non-executive)

C Smerdon – Director (non-executive)

L Hughes Turnbull Director (non-executive) – appointed 1 August 2013

EXECUTIVE DIRECTORS

J Ellison – CEO and Managing Director

OTHER EXECUTIVE KMP

T Waller – Chief Financial Officer and Company Secretary

D Gauci – General Manager – SeaLink South Australia

A Haworth – General Manager – Captain Cook Cruises

P Victory – General Manager – SeaLink Queensland / Northern Territory

There were no changes to KMP after the reporting date and before the financial report was authorised for issue.

2 REMUNERATION PHILOSOPHY

The performance of SeaLink depends upon the quality of its Directors and Executives. To succeed, the Company must attract, motivate and retain highly skilled KMP. To achieve this goal, remuneration policy seeks to ensure that:

- Remuneration levels are set to attract and retain good performers and motivate and reward them to continually improve business performance;
- Remuneration is competitive with incentives for continued employment and for increasing shareholder value;
- Rewards are linked to the achievement of business targets; and
- A remuneration structure supports SeaLink's values and culture.

However, the Company, as it expands, recognises the importance of retaining key personnel and the Nomination and Remuneration Committee is considering long term incentives for the 2015–16 year.

LINK BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

Performance of SeaLink, especially in relation to overall earnings of the Group compared to its budgets and prior years, is a material factor in the determination of the nature and amount of the remuneration of KMP. However, whilst the Board does have regard for, and is extremely cognisant of the need to drive shareholder wealth and value through improved year on year performance and payment of dividends, there are many varied factors that can affect (positively or negatively):

- SeaLink's ASX share price; and
- The ability to pay dividends or make returns of capital.

As such, financial results, combined with individual performance, are the key factors in determining overall remuneration of KMP in any financial year.

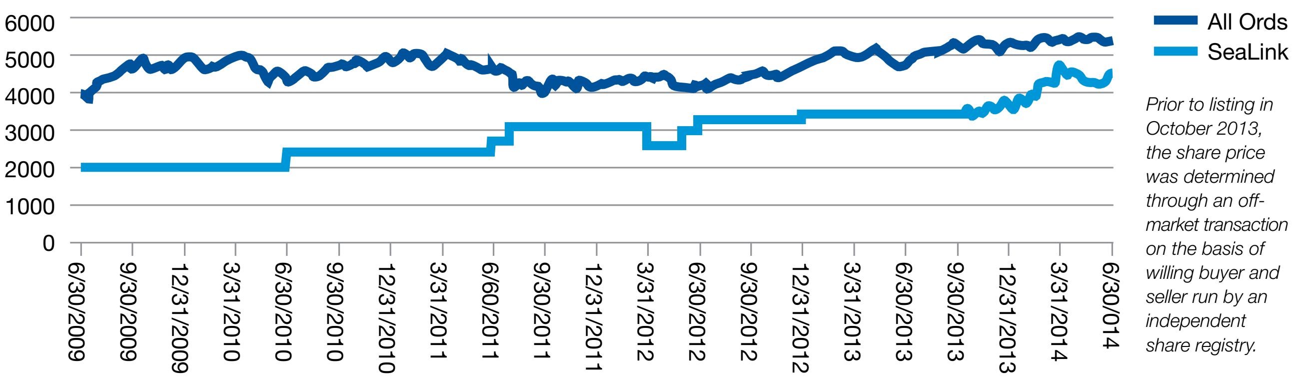
The table below shows the performance of the Company as measured by the NPAT (net profit after tax) from continuing operations and dividends paid.

	30 JUNE 2010 $'000	30 JUNE 2011 $'000	30 JUNE 2012 $'000	30 JUNE 2013 $'000	30 JUNE 2014 $'000
Revenue	61,400	64,968	79,684	91,978	104,422
NPAT	6,296	5,533	3,834	7,023	7,233
Dividends paid	7,300	2,700	7,782	4,026	5,499

REMUNERATION PHILOSOPHY – CONTINUED

The next table highlights the performance of the share price over the past 5 years:

SEALINK SHARE PRICE



Prior to listing in October 2013, the share price was determined through an off-market transaction on the basis of willing buyer and seller run by an independent share registry.

3 REMUNERATION OF KMP

DIRECTORS

Remuneration Policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The aggregate remuneration amount sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to Non-Executive Directors ("NED"s) of similar sized listed companies from a market capitalisation perspective. The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by general meeting. The latest determination was on 18 August 2008 when shareholders approved the Constitution which contained the aggregate fee pool of $580,000 per annum.

The Board will not seek any increase for the NED pool at the 2014 AGM.

The remuneration of NED's consists of directors fees which are as follows:

- The Chairperson receives an annual fee of $139,000; and
- All other NED's receive $69,000 pa.

There are no further additional fees for serving on a sub-committee of the Board. NED's do not receive retirement benefits, nor do they participate in any incentive programs.

Remuneration Outcome

The remuneration of NEDs for the years ended 30 June 2013 and 30 June 2014 is detailed in the table below:

NED'S	FINANCIAL YEAR	FEES	SHORT TERM BENEFITS	OTHER	SUPERANNUATION	TOTAL
G Ursini	2013	$135,089	–	–	–	$135,089
	2014	$139,000	–	–	–	$139,000
C Smerdon	2013	$67,000	–	–	–	$67,000
	2014	$69,000	–	–	–	$69,000
W Spurr	2013	$67,000	–	–	–	$67,000
	2014	$69,000	–	–	–	$69,000
T Dodd	2013	$67,000	–	–	–	$67,000
	2014	$69,000	–	–	–	$69,000
L Hughes Turnbull	2013	–	–	–	–	–
	2014	$63,250	–	–	–	$63,250
F Mann	2013	$67,000	–	–	–	$67,000
	2014	$69,000	–	–	–	$69,000

3 REMUNERATION OF KMP – CONTINUED

EXECUTIVES

Remuneration Policy

The Group rewards Executives with a level and mix of remuneration commensurate with their position and responsibilities so as to:

- Reward Executives for company, business unit and individual performance against targets set by reference to agreed benchmarks;
- Align the interests of Executives with those of shareholders and of other Company business units;
- Link reward to annual and longer term strategic business goals; and
- Ensure remuneration is competitive to market.

The Company does not subscribe, at senior level, to the philosophy of excessive 'at risk components' at a cash salary level but seeks to reward employees with a market competitive base rate. It considers that employment should be 'at risk' if performance does not deliver results or is at an unacceptable level.

Remuneration comprises of several key elements:

- Fixed remuneration;
- Annual performance incentives; and
- Where a specific business need arises, retention incentives are offered through options or retention bonuses.

There is no requirement for either the CEO or KMP to hold shares in the Company.

Remuneration Outcome

Remuneration of KMP are prepared on an accruals basis for bonuses except where noted and were as follows:

FY 2014	SALARY	CASH BONUS	NON-MONETARY BENEFITS	LEAVE LOADING SHORT TERM	SUPER	LONG TERM BENEFIT LSL	TOTAL
J Ellison	405,368	–	24,580	9,242	23,999	27,733	490,922
D Gauci	204,308	10,000	5,590	–	18,963	6,562	245,423
T Waller	208,192	25,000	–	–	25,000	10,794	268,986
A Haworth	205,242	30,000	11,814	–	18,985	934	266,975
P Victory	145,384	10,000	5,200	–	19,266	2,782	182,632
FY 2013	**SALARY**	**CASH BONUS**	**NON-MONETARY BENEFITS**	**LEAVE LOADING SHORT TERM**	**SUPER**	**LONG TERM BENEFIT LSL**	**TOTAL**
J Ellison	369,255	50,000**	28,021	7,333	24,750	20,372	499,731
D Gauci	199,887	–	1,825	–	16,470	10,946	229,128
T Waller	192,148	15,000**	–	–	31,095	10,170	248,413
A Haworth	177,500	20,000	5,555	–	17,775	781	221,611
P Victory	132,392	–	5,200	–	11,864	3,252	152,708

*** Not accrued in 2013 financial year – expense recorded in 2014 financial year.*

Bonuses

For KMP, bonuses vary by Executive depending on the influence on the Company and the business unit as well as whether the Company achieved the Board approved budget for the year. The table below outlines the bonuses payable to KMP for the reporting period. 100% of the achievement bonus will vest with the employee.

	CASH BONUS AT RISK (MAXIMUM)	ACHIEVEMENT OF BUDGET	DISCRETIONARY PERFORMANCE	TOTAL BONUS
J Ellison	Subject to NPAT level	Stretch target not met	–	–
D Gauci	$50,000	Stretch target not met	$10,000	$10,000
T Waller	$15,000	Stretch target not met	$25,000	$25,000
A Haworth	$30,000	Stretch target met	–	$30,000
P Victory	$15,000	Stretch target not met	$10,000	$10,000

Discretionary performance related bonuses, approved by the Board, were accrued or paid to KMP during the period based on a successful listing on the ASX and as a result of the NPAT exceeding budget for the year.

4 EXECUTIVE CONTRACTS

CEO

The Company and Mr Jeffrey Ellison entered into a Managing Director Service Agreement which commenced on 16 October 2013 being the listing date on the ASX. The Agreement expires five years from that date. The agreement also allows the Company to extend the term of the employment.

Under the Management Director Service Agreement, Mr Ellison receives a total fixed gross remuneration package of $460,533 per annum (including wages, superannuation and motor vehicle) for his position as Managing Director of the Company. Mr Ellison is also entitled to a travel allowance of up to $10,000 per annum for family to travel with him on business related travel.

Mr Ellison is entitled to a performance bonus on an annual basis if the Company's NPAT exceeds budgeted NPAT by 10% in which case Mr Ellison will receive a performance bonus equal to 10% of the excess.

Mr Ellison is employed under an ongoing contract which can be terminated with notice by either side. Mr Ellison may terminate the Managing Director Service Agreement and his employment with the Company at any time by giving the Company 90 days written notice. The Company may also terminate the Managing Director Service Agreement and Mr Ellison's employment with the Company without cause at any time after the expiration of the Initial Term by giving Mr Ellison 90 days written notice or by making a payment in lieu of notice.

In the event of serious misconduct or where other specific circumstances warrant summary dismissal, the Company may terminate the Management Director Service Agreement and Mr Ellison's employment immediately without notice.

Upon termination of Mr Ellison's employment, he will be subject to a restraint of trade for a period of six months.

OTHER KMP

Remuneration arrangements for all other KMP are formalised in employment agreements. Standard KMP termination provisions are as follows:

	NOTICE PERIOD	PAYMENT IN LIEU OF NOTICE	TREATMENT OF STI ON TERMINATION	TREATMENT OF LTI ON TERMINATION
Resignation	4 weeks	4 weeks	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	None	None	Unvested awards forfeited	Unvested awards forfeited
Termination in cases of death, disablement, redundancy or notice without cause	4 weeks	4 weeks	Subject to Remuneration and Nomination Committee discretion. If not exercised, unvested awards forfeited	Subject to Board discretion. If not exercised, unvested awards forfeited

In addition to the above terms and conditions, Ms D Gauci is entitled to receive a travel allowance of up to $10,000 per annum for family travel.

5 OPTIONS AND SHAREHOLDINGS OF KMP

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

YEAR END 30 JUNE 2014	BALANCE 1/7/13	SOLD	EXERCISED	BALANCE 30/6/14	VALUE OF OPTIONS EXERCISED/SOLD
DIRECTORS					
Mr G Ursini	1,000,000	(500,000)	–	500,000	$700,000
Mr F Mann	750,000	(375,000)	–	375,000	$525,000
Mr C Smerdon	750,000	(375,000)	–	375,000	$525,000
Mr W Spurr	750,000	(600,000)	(150,000)	–	$975,000
Mr J Ellison	2,250,000	(375,000)	(440,000)	1,435,000	$1,053,000
KEY MANAGEMENT PERSONNEL					
Ms D Gauci	65,000	–	–	65,000	–
Mr T Waller	500,000	(250,000)	–	250,000	$350,000
Mr A Haworth	31,250	–	–	31,250	–
Total	6,096,250	(2,475,000)	(590,000)	3,031,250	

5 OPTIONS AND SHAREHOLDINGS OF KMP – CONTINUED

YEAR END 30 JUNE 2013	BALANCE 1/7/12	SOLD	EXERCISED	BALANCE 30/6/13	VALUE OF OPTIONS EXERCISED
DIRECTORS					
Mr G Ursini	1,000,000	–	–	1,000,000	–
Mr F Mann	750,000	–	–	750,000	–
Mr C Smerdon	750,000	–	–	750,000	–
Mr W Spurr	750,000	–	–	750,000	–
Mr J Ellison	2,250,000	–	–	2,250,000	–
KEY MANAGEMENT PERSONNEL					
Ms D Gauci	65,000	–	–	65,000	–
Mr T Waller	500,000	–	–	500,000	–
Mr A Haworth	31,250	–	–	31,250	–
Total	6,096,250	–	–	6,096,250	–

As at June 30, 2014 all options had vested. As at June 30, 2013, all options had vested except for 750,000 held by Mr Ellison which were subject to the Company being listed on the ASX. In addition to the above, 750,000 (2013: 1,500,000) share options are also held by former Directors.

There were no share options issued to KMP during the year or 2013.

In addition to the above options sold, a further 375,000 options were sold in 2014 by an ex Director.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

YEAR END 30 JUNE 2014	BALANCE 1/7/13	EXERCISE OF OPTIONS	ACQUIRED / SOLD	BALANCE 30/6/14
DIRECTORS				
Mr G Ursini	5,000,000	–	–	5,000,000
Mr F Mann	3,173,077	–	–	3,173,077
Mr C Smerdon	6,250,000	–	–	6,250,000
Mr W Spurr	–	150,000		150,000
Mr T Dodd	5,400,000	–	–	5,400,000
Mr J Ellison	4,767,769	440,000	–	5,207,769
KEY MANAGEMENT PERSONNEL				
Ms D Gauci	–	–	5,000	5,000
Mr T Waller	–	–	10,000	10,000
Mr P Victory	30,000	–	21,000	51,000
Mr A Haworth	–	–	14,400	14,400
Total	24,620,846	590,000	50,400	25,261,246

YEAR END 30 JUNE 2013	BALANCE 1/7/12	EXERCISE OF OPTIONS	ACQUIRED / SOLD	BALANCE 30/6/13
DIRECTORS				
Mr G Ursini	5,000,000	–	–	5,000,000
Mr F Mann	3,173,077	–	–	3,173,077
Mr C Smerdon	6,250,000	–	–	6,250,000
Mr T Dodd	5,000,000	–	400,000	5,400,000
Mr J Ellison	4,367,769	–	400,000	4,767,769
KEY MANAGEMENT PERSONNEL				
Mr P Victory	30,000	–	–	30,000
Total	23,820,846	–	800,000	24,620,846

All equity transactions with KMP have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Options exercised during the year was paid at $1.20 per share.

6 REMUNERATION GOVERNANCE

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises two independent NEDs. This committee has delegated authority for matters related to remuneration arrangements for executives, and is required to make recommendations to the Board on other matters.

Specifically, the Board approves the remuneration arrangements of the CEO and other executives and all awards made under any long term incentives, following recommendations from the Remuneration and Nomination Committee. The Board also sets the aggregate remuneration of all NEDs, which is then subject to shareholder approval. The Remuneration and Nomination Committee approves, having regard to the recommendations made by the CEO, the level of the short-term annual performance incentives for KMP or any discretionary bonuses.

The Remuneration and Nomination Committee meets regularly throughout the year. The CEO attends certain Remuneration and Nomination Committee meetings by invitation, where management input is required. However, the CEO is not present during discussions related to his own remuneration arrangements.

REMUNERATION CONSULTANTS

To ensure the Remuneration and Nomination Committee is fully informed when making remuneration decisions, it seeks external remuneration advice. Remuneration consultants are engaged by, and report directly to, the Committee. In selecting remuneration consultants, the Committee considers potential conflicts of interest and requires independence from the Group's key management personnel and other executives as part of their terms of engagement.

During the financial year, the Remuneration and Nomination Committee approved the engagement of AME Recruitment to provide remuneration recommendations as an input into decision making only. The Committee is satisfied that the advice received from AME Recruitment is free from undue influence from KMP. AME was paid $10,374 for their services which also included providing Executive job descriptions.
The Committee is satisfied the advice received from the AME Recruitment is free from undue influence from the KMP to whom the remuneration recommendations apply as the Remuneration Consultants were approved by, and reported directly to, the Remuneration Committee. The Remuneration Consultants also confirmed in writing to the Committee that the remuneration recommendations were made free from undue influence by the Group's KMP.

CORPORATE GOVERNANCE

The Board of Directors of SeaLink are responsible for the corporate governance of the Company and its controlled entities (the Group), monitoring the operational and financial performance of the Group, overseeing its business strategy and approving its strategic direction.

The ASX Listing Rules require listed entities to disclose the extent to which they have followed the best practice recommendations set by the ASX Corporate Governance Council during a reporting period.

This corporate governance statement summarises the corporate governance practices that have been formally reviewed and adopted by the Board with a view to ensuring continued investor confidence in the operations of the Company and endorsing the corporate governance principles relevant to SeaLink's nature and size.

BOARD RESPONSIBILITIES

The Board is accountable to the Shareholders for the performance of the Company and has overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of the corporate strategy and policy initiatives, is formally delegated by the Board to the Managing Director.

The key responsibilities of the Board include:

- Approving the strategic direction and related objectives of the Company and monitoring management performance in the achievement of these objectives;
- Adopting budgets and monitoring the financial performance of the Company;
- Reviewing the performance of the Managing Director;
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- Overseeing the implementation and management of effective safety and environmental performance systems;
- Ensuring all major business risks are identified and effectively managed;
- Ensuring that the Company meets its legal and statutory obligations; and
- Ensuring compliance with ASX Listing Rules disclosure requirements.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

Information provided to the Board includes all material information on the Group's operations, budgets, cash flows, funding requirements, shareholder movements and share pricing, assets and liabilities, disposals, financial accounts, external audits, internal controls, risk assessments and new venture proposals.

SIZE AND COMPOSITION OF THE BOARD

The Directors consider the size and composition of the Board are appropriate given the size and status of the Company. However the composition of the Board will be subject to review in a number of ways. The Constitution provides that at every annual general meeting, one third of the Directors shall retire from office but may stand for re-election;

- Board composition is reviewed periodically either when a vacancy arises or if it is considered the Board would benefit from the services of a new director. This ongoing assessment is based on giving due consideration to a skills matrix assessment, existing experience of the Board and matching these to the strategic objectives of the Company. Once it has been agreed that a new director is to be appointed, a search will be undertaken, sometimes using the services of external consultants. Nominations would then be received and reviewed by the Board. Appropriate checks are undertaken on potential candidates prior to appointment.

  Remuneration of the non-executive directors is reviewed and approved by the Board. The maximum aggregate annual remuneration which may be paid to non-executive directors is currently $580,000. This cannot be increased without approval of the Company's shareholders.
- Remuneration of the Managing Director is reviewed and approved on an annual basis by the non-executive directors and based on a recommendation of the Remuneration and Nomination Committee.

ETHICS AND INDEPENDENCE

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Company intends to maintain a reputation for integrity. The Company's officers and employees are required to act in accordance with the law and with the highest ethical standards.

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

ETHICS AND INDEPENDENCE – CONTINUED

Corporate Governance Council Recommendation 2.4 requires a majority of the Board to be independent directors. In addition, Recommendation 2.5 requires the chairperson of the Company to be independent. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

In accordance with this definition, Mr William Spurr and Ms Lucy Hughes Turnbull are independent. The following Directors are not considered to be independent: Giuliano Ursini, Terry Dodd, Fred Mann, Jeff Ellison, Chris Smerdon.

The Company considers industry experience and specific expertise to be important attributes of its Board members and therefore believes that the composition of the Board is appropriate given the size and development of the Company at the present time.

BOARD COMMITTEES

It is the role of the Board to oversee the management of the Company and it may establish appropriate committees to assist in this role. The composition of the committees is as follows:

- Each committee has a charter approved by the Board;
- And each committee will maintain minutes of each meeting of the committee, which will be circulated to all Directors.

The Board has an Audit and Risk Committee and a Remuneration and Nomination Committee.

AUDIT AND RISK COMMITTEE

The committee comprises Messrs William Spurr (Chairperson), Frederick Mann and Christopher Smerdon.

The primary responsibilities of the committee are to:

- Assess whether the Company's external reporting is legally compliant, consistent with committee members' information and knowledge and suitable for Shareholder needs;
- Assess the management processes supporting external reporting;
- Liaise with the external auditors and ensure that the audit review is conducted in an effective manner;
- Make recommendations for the appointment or removal of auditors;
- On an annual basis, assess the performance and independence of the external auditors;
- Monitor the coordination of the internal and external audits in so far as they relate to the responsibilities of the committee;
- Recommend to the Board and then promulgate clear standards of ethical behaviour required of Directors and key executives and encourage observance of those standards;

  Recommend to the Board and then promulgate and maintain a sound system of risk oversight and management and internal control which:

  - Identifies, assesses, manages and monitors risk; and
  - Informs investors of material changes to the Company's risk profile; and
  - Recommend to the Board and then promulgate and maintain a system to ensure compliance with all environmental and occupational health and safety regulations and legislation.

REMUNERATION AND NOMINATION COMMITTEE

The committee comprises Ms Lucy Hughes Turnbull (Chairperson) and Mr William Spurr.

The committee is responsible for the following matters are to:

- Remuneration policy and any changes to remuneration policy and practices for the key management personnel of the Company and all employees whose remuneration is not determined through Awards or Enterprise Bargaining Agreements;
- The remuneration for the Managing Director and members of the Executive Management Team, being those Executives reporting to the Managing Directors.
- Performance based (at-risk) components of remuneration and targets for the Company's financial performance as they relate to incentive plans;
- Allocation made under all equity based remuneration plans;
- The remuneration for non-executive Directors including the Chairperson and Committee Chairs and payments to non-executive Directors for additional duties undertaken on behalf of the Company;
- The review and assessment of the effectiveness of the Company's Remuneration Policy;
- Corporate governance process relating to remuneration; and
- The Remuneration Report and process supporting its preparation.

CONTINUOUS DISCLOSURE

The Company has a policy that all shareholders and investors have equal access to the Company's information. The Board has the responsibility to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act and ASX Listing Rules.

SHAREHOLDER COMMUNICATION

The Board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

Information is communicated to Shareholders through:

- Annual and half-yearly financial reports;
- Annual and other general meetings convened for Shareholder review and approval of Board proposals;
- Continuous disclosure of material changes to ASX for open access to the public; and
- The Company's website, where all media releases are published.

Shareholders are invited to raise any queries through the Company Secretary.

Shareholders are also able to access information relevant to their holding via the SeaLink Registry website (www.boardroomlimited.com.au).

The auditor is invited to attend the annual general meeting of Shareholders. The Chairperson will permit Shareholders to ask questions about SeaLink's business operations, the remuneration report, the conduct of the audit and the preparation and content of the audit report and other items of business at the AGM.

SeaLink's financial calendar is available via the 'Investor Centre' on the SeaLink's website at www.sealinktravelgroup.com.au

IDENTIFICATION AND MANAGEMENT OF BUSINESS RISK

The identification, monitoring and, where appropriate, the reduction of significant risk to the Company will be the responsibility of the Board and the Audit and Risk Committee.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the Managing Director at subsequent Board meetings. Budgets are prepared and compared against actual results.

The potential exposures with running the Company have been managed by the appointment of senior staff who have significant broad-ranging industry experience, work together as a team and regularly share information on current activities.

Additionally, it is the responsibility of the Audit and Risk Committee to assess the adequacy of the Company's internal control systems and that its financial affairs comply with applicable laws and regulations and professional practices. The Managing Director and the Chief Financial Officer declare in writing to the Board that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively.

This representation is made prior to the directors' approval of the release of the annual accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

SECURITIES TRADING DISCLOSURE

The Company has adopted a formal policy for dealing in the Company's securities by Directors, senior management and other employees ("designated persons") with effect from the listing of the Company on the ASX. This sets out their obligations regarding disclosure of dealing in the Company's securities. The Constitution permits Directors to acquire securities in the Company; however, Company policy prohibits designated persons from dealing in the Company's securities at any time whilst in possession of price sensitive information.

In addition to this general prohibition, designated persons may only deal in the Company's securities at any time subject to the following exclusions:

- From the close of business on 31 December to the opening of the ASX on the first trading day after the Company's half-year results are released to the ASX; and
- From the close of business on 30 June to the opening of the ASX on the first trading day after the company's full-year results are released to the ASX.

In addition, designated persons proposing to deal in the Company's securities must notify the Company of their intention and receive confirmation from the Company to allow them to deal in the Company's securities.

In accordance with the provisions of the Corporations Act and the Listing Rules, the Company will advise ASX of any transaction conducted by Directors in the securities of the Company.

DEPARTURES FROM ASX CORPORATE GOVERNANCE COUNCIL "PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS"

The Corporate Governance practices of the Company are compliant with the ASX Corporate Governance Council's best practice recommendations with the exception of the departures in relation to the following:

- Independence of the Board, Chairperson and Audit and Risk Committee; and
- Size of the Nomination and Remuneration and Nomination Committees.

Currently, two of the seven directors satisfies the criteria for independence. The Company considers that the expense involved in the recruitment and employment of additional independent directors up to the number required for compliance is not justified given the present size and complexity of its operations. Together, the current Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company and have demonstrated that they make quality and independent judgements in the best interests of the Company on all relevant issues. Procedures are in place whereby directors having a conflict of interest in relation to a particular item of business must exclude themselves from the meeting before commencement of discussion of the topic.

The Board considers that the skills and experience that Mr Ursini brings as Chairperson adds value to the deliberations and functioning of the Board, even though he is not independent due to his shareholding. He has also been instrumental in the development of the Company, has a comprehensive knowledge of its operations and had successfully built value for shareholders since joining the Company.

The Board is of the view that the current composition of both the Audit and Risk Committee and the Remuneration and Nomination Committee is appropriate given the size of the business, the extensive financial skills, experience and industry knowledge of the current members of both committees. To safeguard the integrity of these committees, the Chair of both committees are independent.

DIVERSITY

The Group recognises that a talented and diverse workforce is a key competitive advantage and our success is a reflection of the quality and skills of our people. SeaLink benefits by bringing together high quality people of different gender, age, ethnicity and cultural backgrounds who possess a diverse range of experiences and perspectives.

The Group fosters a culture in which all people treat each other with mutual respect and are recruited, developed and promoted on the basis of merit.

To support its commitment, the Group has adopted a Diversity Policy. Under the Policy, the Board is responsible for establishing measurable gender diversity objectives and reviewing progress in achieving the objectives on an annual basis. All employees also are responsible for supporting and maintaining SeaLink's corporate culture including its commitment to diversity in the workplace.

The key objectives of this Policy which support SeaLink's corporate objectives aims to:

- Recruit the right people from a diverse pool of high quality candidates. People will be recruited on the basis of competence and performance regardless of age, ethnicity, gender or cultural background;
- Make more informed and innovative decisions, drawing on a wide range of experience and perspectives that employees from diverse backgrounds and different skill sets bring to their roles;
- Provide equal opportunities based on merit;

The following Diversity objectives have been established by the Board, with a goal of achieving these targets by June 2018:

- Increase overall female representation on the Board to 20%;
- Achieve greater than 40% female representation within KMP and senior management roles;
- Maintain the proportion of non-senior management positions held by females to over 40%; and
- Proactively educate all business leaders around diversity and cultural awareness.

As at 30 June, 2014, SeaLink had the following workforce profile –

	FEMALE	FEMALE %	MALE	MALE %
Board of Directors	1	14%	6	86%
KMP and Senior Management	15	35%	28	65%
Other	283	46%	339	55%
Total	299	45%	373	55%

A copy of this policy is contained on the SeaLink website at www.sealinktravelgroup.com.au

This policy was updated and approved by the Board on 21st August, 2014.

SEALINK
Travel Group