

**SEALINK TRAVEL GROUP LTD**  
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**FINANCIAL REPORT AND APPENDIX 4D**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

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**SEALINK TRAVEL GROUP LTD**  
**ASX APPENDIX 4D**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

**Results in brief**

	Dec 2015 \$m	Dec 2014 \$m	Change \$m	Change %
Revenue from ordinary activities	74.3	57.2	17.1	29.9
Net Profit Before Tax	12.3	6.7	5.6	83.6
Profit from ordinary activities after tax attributable to members	8.6	4.7	3.9	81.9

**Dividends**

	Amount per Share (Cents)	100% Franked Amount per Share (Cents)
<b>31 December 2015</b>		
Interim Dividend	4.5	4.5
<b>30 June 2015</b>		
Interim Dividend	3.8	3.8
Final Dividend	4.0	4.0

1. The record date for determining entitlements to the interim dividend of 4.5 cents per share is 2 April 2016. The payment date for the interim dividend is 15 April 2016.
2. Final dividend of 4.0 cents per share for the year ended 30 June 2015 was declared 20 August 2015.

**Net tangible assets**

	Dec 2015 \$	Dec 2014 \$
Net tangible backing per ordinary share	0.89	0.67

The report is based on accounts which have been reviewed by the auditor of SeaLink Travel Group Ltd. There have been no matters of disagreement and a report of its review appears in the half-yearly financial report.

This report should be read in conjunction with the Statutory Accounts for the year ended 30<sup>th</sup> June, 2015.

Signed:



A J McEvoy  
Chairman  
15 February 2016

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**

The Board of Directors of SeaLink Travel Group Ltd has pleasure in submitting its report for the half-year ended 31 December, 2015.

**Directors**

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

Andrew J. McEvoy – (BA Arts, MA Int. Comms) – Chairman from 1 July, 2015.

Jeffrey R. Ellison (BA (Acc), FCA, FAICD) - Managing Director and Chief Executive Officer

Christopher D. Smerdon - (MAICD)

William T. Spurr AO - (B.App.Science, B.Ec., Dip T, FAICD)

Terry J. Dodd

Andrea Staines – (MBA Finance, BA Economics) – Appointed 15 February, 2016

Lucinda Hughes Turnbull AO - (LLB (USyd), MBA (UNSW)) – Retired 27 October, 2015

Frederick A. Mann - (FCA, MAICD) - Retired 27 October, 2015

**Review of operations and results**

**Result Overview**

SeaLink Travel Group (SeaLink) had another very solid performance for the half year with continued sales growth and improved profit returns during the first half of 2015/16. It was also successful in its strategy to grow the business with the successful completion of the acquisition of the Transit Systems Marine business for a net purchase price of \$114.8m.

The Company recorded a net profit before tax (PBT) of \$12.3m compared to \$6.7m for the previous half. Included in the 2015/16 half year result were acquisition related expenses of \$0.9m comprising professional fees, success fees and stamp duty. Adjusting for these expenses, the PBT for the half year was up 93% over the previous half year to December 2014. Excluding acquisition expenses or profit on sale, this was a record for the Company.

Net Profit after Tax (NPAT) was \$8.6m compared to an NPAT of \$4.7m for the December 2014 half year. From a comparative perspective, the December 2015 half year included the after-tax effect of the acquisition costs of \$0.7m.

The newly acquired marine business of Sealink Gladstone/South East Queensland had a positive effect on profit for the half with the business unit recording earnings before interest and tax of \$4.3m for the 2 month period since acquisition and after taking into account once off acquisition costs of \$0.9m.

Growth in the PBT reflected a higher contribution from SeaLink SA's operations which saw a combination of higher sales reflecting increased passenger and vehicle traffic and improved returns from touring products and travel centres. Sealink Queensland also increased its profit contribution compared to 2014 due to higher sales of Tiwi Island related product and lower vessel repairs.

In a very competitive environment, revenue from ordinary business, excluding the new acquisition, increased by 4.3% on the back of higher dining sales for Captain Cook Cruises and new ferry route services into Watson' Bay and White Bay in Sydney Harbour.

Sealink Directors today declared a fully franked interim dividend of 4.5 cents per share (2014/15 interim dividend was 3.8 cents per share).

At the October 2015 AGM, former directors Fred Mann and Lucy Hughes Turnbull did not seek re-appointment due to changed circumstances. SeaLink is pleased to report that Ms Andrea Staines commenced as a Director on 15 February, 2016. Ms. Staines has extensive experience in the transport sector, previously holding the position of CEO of Australian Airlines (a subsidiary of Qantas) which she co-launched in 2002. Ms. Staines currently sits on the Boards of Aurizon Holdings Ltd, Goodstart Early Learning and the NSW Transport Advisory Board. She has formally sat on the Board of the Australian Rail Track Corporation Ltd, Gladstone Ports Corporation, North Queensland Airports Pty Ltd and Royal Children's Hospital Foundation.

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT (cont)**

*Review of Operations*

STG's achievements in its key business segments for the first half were:

- Acquisition of the Transit Systems Marine business
- A net \$49.2m capital raise through both a share placement and a Share Purchase Plan;
- Increased funding facilities, up \$59.4m to support business expansion;
- Signing of contracts for long term ferry services in Gladstone;
- Signing of a 5 year contract for cartage of sand in Moreton Bay;
- Renewal of Moggill ferry contract for 5 years;
- New ferry services in Sydney for Watsons Bay and White Bay cruise terminal; and
- Appointment of Andrew McEvoy as a new Chairman to the Group.

*Kangaroo Island SeaLink – including Murray Princess*

The business unit had a solid first half where external revenue increased by 1.9% to \$32.1m on the back of increased traffic flow to Kangaroo Island and improved touring sales. Lower margin accommodation packaging sales held back growth as suppliers reduced stock available to package. Both passengers and vehicles increased by 2% whilst freight was down 9% reflecting lower agricultural output.

Murray Princess sales continued their growth increasing by 4.4%. Contribution remained flat as higher wages associated with a newly agreed EBA offset increased margins. Refrigerated air conditioning was also installed to service forward cabins on the main deck.

Spend on vessel repairs and maintenance for the Kangaroo Island based vessels was \$0.4m higher due to an out of water slipping for the Spirit of Kangaroo Island. Lower fuel costs generated positive savings of \$0.2m due to the drop in world gas/oil pricing. Savings flowed through mainly in the latter part of the half year.

As a result of higher sales, improved contributions from tour products and travel centres, the overall business segment contribution before interest increased by 20% to \$6.1m compared to the first half of last year.

There were no major changes to the core business during the half year.

SeaLink continued to invest in its vehicle fleet with one new 53 seat coach purchased for Kangaroo Island Tours and one replacement 4 Wheel Drive for its Kangaroo Island Odyssey business.

*Captain Cook Cruises (CCC)*

The first half of 2015-16 continued the business unit's growth in sales and product expansion. Despite higher contribution from the growing dining product, profit was flat with the softening of the charter market and start-up costs associated with the new Watsons Bay and White Bay ferry services.

Sales increased by \$1.5m or 8.6% over the first half of last year, with growth coming from dining cruise product. This continues to reflect increased demand from Asia, especially China where all sales from this source were up 26%. Charter sales were down 10% which reflects to tough competitive environment and lower demand. Sales increases also came from the Hop-on Hop-off ferry service which continues to increase its market penetration with the additional Manly leg proving to be popular.

In November, 2015 the Company commenced the new White Bay ferry service taking cruise ship passengers to Darling Harbour and Circular Quay. Patronage has been growing and a recently contract signed with a cruise line company will help secure longer term profitability.

In March 2015, SeaLink started a new ferry route from Watsons Bay to Circular Quay to service the commuter market. After building passenger patronage, this service is now generating positive returns.

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT (cont)**

*SeaLink Queensland*

There was no major change in the Townsville based Business Unit in the first half year. Vessel maintenance costs were down on last year (in the 2014 first half, substantial works were undertaken on the Reef Cat super structure) and this was the main driver of a higher contribution.

Turnover from SeaLink Queensland in Townsville increased marginally with 1.9% higher revenue from its core Magnetic Island ferry service. There are positive trends emerging that passenger numbers are steadily increasing on the back of further backpacker demand.

With a lower \$0.4m expended on vessel repairs and maintenance and lower fuel cost compared to last year's half, SeaLink Queensland profit contribution increased by \$0.7m. Palm Island revenue was flat with a similar service level to last year.

Charter income showed positive signs increasing by 25% and reflecting 4 vessels on hand for the full half year (only three were available for the 2014 half).

*SeaLink Northern Territory ("SNT")*

The business unit performed to expectations during the half year. SeaLink NT's revenue increased by \$0.1m with the main influence coming from a new Tiwi packaged product.

Net contribution from SNT operations has been positive and the Company continues to look for further opportunities to expand ferry services.

*Sealink Gladstone and South East Queensland*

The marine business of Transit Systems ("TSM") was acquired on 6 November, 2015 and has been performing to expectations. Net profit for the segment (before interest) was \$4.3m for the two months to 31 December. The contribution included utilisation fees associated with a Gladstone contract of \$1.1m, charges for intangibles on consolidation of \$0.15m and corporate allocations for once off acquisition costs of \$0.9m.

During the period between signing the contract to acquire the TSM business and settlement on 6 November, 2015, 2 operational contracts for Gladstone were signed. These contracts are now coming slowly onstream in addition to the existing contracts to supply vessels for the construction phase of the LNG plants. Various vessels will be demobilised (coming off contract) over the next 18 months as the gas plant's construction and restoration work is completed. To date, 1 vessel, the Mandurama, has been demobilised and was transferred to Sydney. The MV Capricornian Dancer was also technically demobilised in December 2015 but remains on short term contract in Gladstone.

In December 2015, the business secured a further five year contract to provide a tug and barge service to cart "Mineral Sands" from North Stradbroke Island to Pinkemba on the Brisbane River. Previously, this service utilised a sub-contractor through a wet lease arrangement. Given the long term commitment, SeaLink has committed to purchase a tug, a custom designed barge and an excavator. The new contract commenced on 1 January 2016.

Also in December 2015, SeaLink signed a further five year contract for the Moggill Ferry, which operates across the Brisbane River.

**Dividend**

STG's directors today declared a 4.5 cents per share fully franked interim dividend payable on 15 April 2016 to shareholders registered on 1 April 2016. This represents a 52.8% return of after tax net profit to shareholders, in line with STG's policy of returning 50-70% of after-tax profit, subject to business needs and ability to pay. The interim dividend for the half-year ended 31 December 2014 was 3.8 cents per share.

The Board will continue to consider STG's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future dividends.

**Matters subsequent to the end of the financial half year**

There are no significant events after the end of the reporting period which have come to our attention.

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' REPORT (cont)**

**Significant changes in the state of affairs**

The marine business of Transit Systems was acquired on 6<sup>th</sup> November, 2015 for a consideration of \$125m plus adjustments. This acquisition was funded through –

- A capital placement of 16.9m shares at an issue price of \$2.50 per share;
- A Share Placement Plan which resulted in 4.33m shares being issued at \$2.50;
- Issuing 3.2m shares to the vendor at an issue price of \$2.50 per share (fair value at settlement was \$3.39 per share); and
- The balance through Bank debt - \$65.4M was drawn down at settlement.

This acquisition has further strengthened SeaLink's position as the leading provider of transport and tourism services in Australia.

**Outlook**

With the major acquisition of Transit Systems Marine in November, 2015, the Company expects that this business will materially add to reported profit after tax for the second half of the financial year.

Given average seasonal and business conditions remain over the next five months, the business is well positioned to report a substantial increase in the reported profit after tax for the 2016 financial year.

**Rounding**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

**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 7.

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



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A J McEvoy  
DIRECTOR

Adelaide  
Date: 15 February 2016



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working world

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## Auditor's Independence Declaration to the Directors of Sealink Travel Group Limited

As lead auditor for the audit of Sealink Travel Group Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Nigel Stevenson  
Partner  
15 February 2016

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Note	Consolidated 2015 \$'000	Consolidated 2014 \$'000
<b>Continuing Operations</b>			
Revenue		73,977	56,523
Other income		369	693
<b>Total income</b>	14	<b>74,346</b>	<b>57,216</b>
<b>Direct Operating Expenses-</b>			
Direct wages		18,147	12,703
Repairs and maintenance		4,174	3,723
Fuel		2,901	2,377
Commission		3,364	3,087
Meals and beverage		3,604	3,247
Accommodation		2,065	1,957
Tour Costs		5,488	5,426
Other direct expenses		7,005	5,777
<b>Administration Expenses-</b>			
Indirect wages		8,403	7,455
General and administration		3,937	3,222
Marketing and selling		959	1,028
Financing charges		873	495
Amortisation of customer contracts		154	-
Acquisition expenses		937	-
<b>Total Expenses</b>		<b>62,011</b>	<b>50,497</b>
<b>Profit before tax from continuing operations</b>		<b>12,335</b>	<b>6,719</b>
Income tax expense	5	3,781	2,017
<b>Profit for the period from continuing operations</b>		<b>8,554</b>	<b>4,702</b>
<b>Profit for the period</b>		<b>8,554</b>	<b>4,702</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period, net of tax</b>		<b>8,554</b>	<b>4,702</b>
<b>Profit and total comprehensive income for the period is attributable to:</b>			
Owners of the parent		8,554	4,702
<b>Earnings per share-</b>			
Basic, profit for the period attributable to ordinary equity holders of the parent		\$ 0.097	\$ 0.062
Diluted, profit for the period attributable to ordinary equity holders of the parent		\$ 0.096	\$ 0.061

Notes to and forming part of the financial statements are included on Pages 12 to 17.



**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2015**

	Note	Consolidated 31 DECEMBER 2015 \$'000	Consolidated 30 JUNE 2015 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	9,277	2,261
Trade and other receivables		20,728	3,227
Inventories		2,780	1,302
Prepayments		1,375	1,244
<b>TOTAL CURRENT ASSETS</b>		<u>34,160</u>	<u>8,034</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	167,182	72,631
Intangible assets		44,743	6,629
Deferred tax assets		3,867	2,721
<b>TOTAL NON-CURRENT ASSETS</b>		<u>215,792</u>	<u>81,981</u>
<b>TOTAL ASSETS</b>		<u>249,952</u>	<u>90,015</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		12,322	5,238
Unearned revenue		5,967	3,814
Operating lease liability	17	2,086	-
Interest bearing loans and borrowings	8	8,333	3,293
Current tax liabilities		8,040	1,578
Provisions		6,636	4,453
<b>TOTAL CURRENT LIABILITIES</b>		<u>43,384</u>	<u>18,376</u>
<b>NON-CURRENT LIABILITIES</b>			
Unearned revenue		1,235	1,321
Operating lease liability	17	639	-
Interest bearing loans and borrowings	8	66,186	7,027
Deferred tax liabilities		10,204	1,015
Provisions		915	982
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>79,179</u>	<u>10,345</u>
<b>TOTAL LIABILITIES</b>		<u>122,563</u>	<u>28,721</u>
<b>NET ASSETS</b>		<u>127,389</u>	<u>61,294</u>
<b>EQUITY</b>			
Contributed equity	9	94,471	33,904
Reserves		534	487
Retained earnings		32,384	26,903
<b>TOTAL EQUITY</b>		<u>127,389</u>	<u>61,294</u>

Notes to and forming part of the financial statements are included on Pages 12 to 17.

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

<u>Consolidated</u>	Note	CONTRIBUTED EQUITY \$'000	RETAINED EARNINGS \$'000	SHARE OPTION RESERVE \$'000	TOTAL \$'000
<b>Balance at 1st July, 2014</b>		30,164	23,315	464	53,943
Profit for the period		-	4,702	-	4,702
<b>Total comprehensive income for the period</b>		-	4,702	-	4,702
<b>Transactions with owners in their capacity as owners-</b>					
Issue of share options		-	-	6	6
Dividends paid or provided for	13	-	(2,842)	-	(2,842)
Issue of share capital		3,740	-	-	3,740
<b>Balance at 31st December, 2014</b>		33,904	25,175	470	59,549
<b>Balance at 1st July, 2015</b>		33,904	26,903	487	61,294
Profit for the period		-	8,554	-	8,554
<b>Total comprehensive income for the period</b>		-	8,554	-	8,554
<b>Transactions with owners in their capacity as owners-</b>					
Dividends paid or provided for	13	-	(3,073)	-	(3,073)
Share based payment transactions	15	-	-	47	47
Issue of share capital	9	60,567	-	-	60,567
<b>Balance at 31st December, 2015</b>		94,471	32,384	534	127,389

Notes to and forming part of the financial statements are included on Pages 12 to 17.

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Note	Consolidated 2015 \$'000	Consolidated 2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		72,546	57,640
Payments to suppliers and employees		(54,595)	(46,743)
Net GST paid		(2,067)	(1,447)
Interest received		141	777
Interest paid		(873)	(1,128)
Income tax (paid) / received		<u>(2,909)</u>	<u>(2,270)</u>
<i>Net operating cash flows</i>		<u>12,243</u>	<u>6,829</u>
<b>Cash flows from investing activities</b>			
Cash was provided from:			
Proceeds from sale of property, plant and equipment	6	<u>6</u>	<u>242</u>
		<u>6</u>	<u>242</u>
Cash was disbursed to:			
Payments for property, plant and equipment	6	(2,047)	(3,688)
Acquisition of new business (net of cash acquired)	16	<u>(110,002)</u>	<u>-</u>
		<u>(112,049)</u>	<u>(3,688)</u>
<i>Net investing cash flows</i>		<u>(112,043)</u>	<u>(3,446)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	9	49,215	3,747
New borrowings		66,310	-
Repayment of borrowings		(5,636)	(2,501)
Dividend paid	13	<u>(3,073)</u>	<u>(2,842)</u>
<i>Net financing cash flows</i>		<u>106,816</u>	<u>(1,596)</u>
Net (decrease)/increase in cash and cash equivalents		7,016	1,787
Cash and cash equivalents at 1 July		<u>2,261</u>	<u>4,448</u>
Cash and cash equivalents at 31 December	7	<u><u>9,277</u></u>	<u><u>6,235</u></u>

Notes to and forming part of the financial statements are included on Pages 12 to 17.

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**1 Corporate Information**

The interim consolidated financial statements of the Group for the six months ended 31 December 2015 were authorised for issue in accordance with a resolution of Directors on 15 February, 2016.

Sealink Travel Group Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The Company listed on the Australian Stock Exchange on 16 October, 2013. The principal business units of the Company and its subsidiaries (the Group) are described in Note 14.

**2 Basis of preparation and changes to the Group's accounting policies**

**Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 31 December 2015 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2015.

**New standards, interpretations and amendments thereof, adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015, except for the adoption of new standards and interpretations as of 1 July 2015, noted below:

<i>Reference</i>	<i>Title</i>	<i>Summary</i>	<i>Application Date of Standard</i>
AASB 2015-3	Materiality	The Standard completes the AASB's to remove Australian guidance on materiality from Australian Standards.	1 January 2015

These amendments are effective for annual periods beginning on or after 1 July 2015. The adoption of these amendments had no material impact on the financial position or performance of the Group.

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

**3 Seasonality of Operations**

The Group provides products in the areas of transport and tourism services into Australia, the latter being quite seasonal with stronger turnover in the summer and autumn months. December has a high concentration of turnover. Although revenues are expected to be slightly higher during the first half of the year, operating profit will be slightly lower due to major vessel slipping expenses which fall into the first half of the financial year.

This information is provided to allow for a proper appreciation of the results, however management have concluded that this does not constitute "highly seasonal" as considered by AASB 134 Interim Financial reporting.

**4 Impairments**

Goodwill is tested for impairment annually (as at June 30) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model.

The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 30 June 2015.

Apart from goodwill associated with the acquisition of the Transit Systems Marine business, there were no changes in the carrying value of goodwill allocated to the cash generating units nor any impairment of goodwill during the current half year.

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**5 Income tax**

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e. the estimated annual effective tax rate applied to the pre-tax income of the interim period.

The major components of income tax expense in the statement of comprehensive income are-

	For the six months ended 31 December	
	2015 \$'000	2014 \$'000
Current income tax expense	4,751	1,706
Deferred income tax expense	(971)	310
Under (over) provision in respect of prior years	1	1
<b>Income tax expense from continuing operations</b>	<b>3,781</b>	<b>2,017</b>

**6 Property, plant and equipment**

**Acquisitions and Disposals**

During the six months ended 31 December 2015, the Group acquired assets with a cost of \$2,047,000 (2014: \$3,688,859). These additions exclude assets acquired as part of the acquisition of the Transit Systems Marine business (refer Note 16). There was no work in progress as at 31 December 2015 (2014: \$nil).

Assets with a net book value of \$8,162 were disposed of by the Group during the six months ended 31 December 2015 (2014: \$168,476) resulting in a net loss on disposal of \$2,488 (2014: \$74,432 profit).

Refer also to Note 10 for capital commitments.

**7 Cash and Cash equivalents**

For the purposes of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following-

	31 December 2015 \$'000	30 June 2015 \$'000
	Cash	2,624
Cash on deposit	6,653	466
<b>Total cash and cash equivalents</b>	<b>9,277</b>	<b>2,261</b>

**8 Financial Instruments**

Interest bearing loans and borrowings have a fair value of \$74,790,000 (2014: \$10,972,042) and a carrying value of \$74,519,000 (2014:\$11,041,034).

*Borrowing and repayment of debt*

During the six month period, interest bearing borrowings of \$5,636,000 were repaid from capital raised through cashflow from operations. Drawdowns of \$66,310,000 were made to fund the acquisition of the Transit Systems Marine business.

*Cash flow hedge for interest rate risk*

During the period, the Group entered into a 5 year fixed term interest rate swap at a rate of 2.53% before interest margin. The contract commenced effective 1st December, 2015. The fair value adjustment required was assessed and the difference between fair value and carrying value is immaterial.

The terms of the interest rate swap have a close match to the variable interest rate liability arising from bill facilities. Consequently, the hedges were assessed to be highly effective.

The interest rate swap is categorised as a Level 2 within the fair value hierarchy with the carrying value based on market interest rates which are traded and quoted through the Australian banking system.

**9 Contributed Equity**

	Contributed Equity		No. of Shares on Issue	
	For the six months ended 31 December		For the six months ended 31 December	
	2015 \$'000	2014 \$'000	2015 000's	2014 000's
Issued and fully paid ordinary shares-				
Opening balance	33,904	30,164	76,815	73,815
Conversion of share options to ordinary shares	-	3,740	-	3,000
Issue of shares through a Share Placement in September 2015	38,380	-	16,004	-
Issue of shares through a Share Purchase Plan in October 2015	10,835	-	4,354	-
Issue of 3,200,000 shares as purchase consideration in November 2015 (refer Note 16)	10,848	-	3,200	-
Deferred tax associated with share issue expenses	504	-	-	-
<b>Total</b>	<b>94,471</b>	<b>33,904</b>	<b>100,373</b>	<b>76,815</b>

During the period, 20,357,930 ordinary shares were issued at a price of \$2.50 raising gross proceeds of \$50,894,825. In addition, the Company issued 3,200,000 shares at a fair value of \$3.39 as part of the acquisition of the Transit Systems Marine business. The Company expended a gross \$1,679,400 less \$503,820 of associated deferred tax asset to raise these funds which was allocated to contributed equity.

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

<b>10 Commitments and Contingencies</b>	Consolidated	Consolidated
	31 December 2015	31 December 2014
	\$'000	\$'000
<b>Capital commitments</b>		
Capital expenditure commitments:		
Barge	1,225	-
Vessels and buses	2,035	462

**Contingencies**

There were no contingencies of material note as at 31 December 2015.

**11 Related party transactions**

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

- Purchases and services totalling \$9,315 from Vectra Corporation Ltd, a company associated with Mr C Smerdon (2014: \$9,880);
- Purchases and services totalling \$43,393 from Tourism and Allied, a company associated with Mr C Smerdon (2014: \$51,356);
- Purchases and services totalling \$6,809 from Pacific Marine, a company associated with Mr T Dodd (2014: \$550);
- Purchases and services totalling \$8,215 from Fairfax Media, a Group associated with Mr A McEvoy (2014: n/a);

**12 Events reported after balance date**

A fully franked dividend of \$4,516,778 representing 4.5 cents per share was declared by the Directors on 15 February 2016 to be paid 15 April 2016. Apart from the above, no events have occurred subsequent to year end which would, in the absence of disclosure, cause the financial report to be misleading.

**13 Dividends paid and proposed**

	For the six months ended	
	31 December	
	2015	2014
	\$'000	\$'000
Dividends on ordinary shares declared and paid during the six month period:	3,073	2,842
<b>Final dividend for 2015: 4.0 cents (2014: 3.7 cents)</b>		
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 31 December):		
<b>Interim dividend for 2016: 4.5 cents (2015: 3.8 cents)</b>	4,517	2,919

**14 Operating Segment Information**

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

- Kangaroo Island Sealink ("KIS");
- Captain Cook Cruises ("CCC"); and
- Sealink Queensland ("SQ") which includes the operations of Sealink Northern Territory.
- Transit Systems Marine ("TSM") which includes ferry operations in Gladstone and South East Queensland.
- Corporate, which includes all Head Office functions.

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 in the consolidated financial statements. Group income taxes are managed on a Group basis and are not allocated to the segments below.

**Half Year ended 31 December 2015**

	KIS	CCC	SQ	TSM	Corporate	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Internal revenue	1,866	-	400	-	864	(3,130)	-
External Revenue	32,097	18,675	8,475	14,958	-	-	74,205
<b>Results</b>							
Capital expenditure	1,209	469	189	180	-	-	2,047
Amortisation of customer contracts on consolidation	-	-	-	154	-	-	154
Depreciation	1,027	887	276	857	1	-	3,048
Segment profit before interest and allocations - continuing operations	7,338	1,514	1,587	5,802	(3,174)	-	13,067
Less Corporate allocations	(1,225)	(209)	(286)	(1,454)	3,174	-	-
<b>Segment profit before interest and tax - continuing operations</b>	6,113	1,305	1,301	4,348	-	-	13,067
Interest income							141
Interest cost and finance charges							(873)
<b>Segment profit before tax - continuing operations</b>							12,335

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

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**14 Operating Segment Information (cont)**

Half Year ended 31 December 2014

	KIS \$'000	CCC \$'000	SQ \$'000	TSM \$'000	Corporate \$'000	Eliminations \$'000	Consolidated \$'000
Internal revenue	1,318	-	460	-	514	(2,292)	-
External Revenue	31,500	17,191	8,115	-	266	-	57,072
<b>Results</b>							
Capital expenditure	848	2,460	380	-	-	-	3,688
Depreciation	828	859	287	-	115	-	1,974
Segment profit before interest and allocations - continuing operations	6,734	1,596	678	-	(1,937)	-	7,071
Corporate allocations	(1,647)	(214)	(76)	-	1,937	-	-
<b>Segment profit before interest and tax - continuing</b>	<b>5,087</b>	<b>1,382</b>	<b>602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,071</b>
Interest income							143
Interest cost and finance charges							(495)
<b>Segment profit before tax - continuing operations</b>							<b>6,719</b>

The following table presents segment assets and liabilities of the Group's operating segments-

**At 31 December 2015**

	KIS	CCC	SQ	TSM	Corporate	Eliminations	Consolidated
Operating assets	40,906	36,222	15,170	153,773	14	-	246,085
Operating liabilities	81,582	5,574	3,353	14,370	560	-	104,879

**At 30 June 2015**

	KIS	CCC	SQ	TSM	Corporate	Eliminations	Consolidated
Operating assets	36,159	36,006	15,118	-	11	-	87,294
Operating liabilities	17,798	4,657	3,673	-	-	-	26,128

**Reconciliation of assets and liabilities**

	Consolidated 31 DECEMBER 2015 \$'000	Consolidated 30 JUNE 2015 \$'000
Segment operating assets	246,085	87,294
Deferred tax assets	3,867	2,721
Group total assets	<u>249,952</u>	<u>90,015</u>
Segment operating liabilities	104,879	26,128
Current tax liabilities	8,040	1,578
Deferred tax liabilities	10,204	1,015
Group total liabilities	<u>123,123</u>	<u>28,721</u>

**15 Share-based payment**

In August 2015, 85,000 performance rights were granted to a Key Management Personnel under the Sealink Employee Option Plan. The performance rights will vest after a period of 3 years as long as the senior employee is still employed on such date and the share price was at least \$3.20.

The fair value of the options granted is estimated at the date of grant using a binomial pricing model, taking into account terms and conditions upon which the options were granted using the following assumptions-

Dividend yield	3.35%
Expected volatility	27.57%
Risk free interest rate	3.35%
Expected life (years)	3.0
Underlying security value	\$ 2.37

The fair value of the performance rights granted was valued at \$0.6179 per share being \$52,522, the cost being expensed over the vesting period.

For the six months ended 31 December 2015, the Group recognised \$46,696 of share-based payments expense (2014: \$1,945).

**16 Business Combinations**

**Acquisition of Transit Systems Marine**

On 6th November, 2015, the Group acquired 100% of the Queensland based marine business formerly owned by Transit Systems. The acquisition involved the purchase of shares in various entities as well as the acquisition of properties on Russell Island in Moreton Bay, Queensland. Transit System Marine business ("TSM") consists of the following -

- \* Ferry operations in Gladstone to service the Curtis Island gas plants,
- \* Ferry services to North Stradbroke Island
- \* Ferry and barge operations for the Bay Islands in Southern Moreton Bay;
- \* Moggill cable ferry across the Brisbane River; and
- \* Barge service for a sand contract from North Stradbroke Island.

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**16 Business Combinations (cont)**

**Acquisition of Transit Systems Marine**

The acquisition has expanded Sealink's geographic base as well as creating opportunities for expansion. It has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of TSM for the period from 7th November until 31st December, 2015.

The fair values of the identifiable assets and liabilities of TSM as at the date of acquisition were -

	<b>Fair Value recognised on acquisition \$'000</b>
<b>Assets</b>	
Cash and cash equivalents	200
Trade and other receivables	9,838
Inventories	1,439
Prepayments	21
Property, plant and equipment	95,569
Customer contracts	7,619
Deferred tax asset	657
	<b>115,343</b>
<b>Liabilities</b>	
Trade and other payables	4,635
Unearned revenue	1,102
Interest bearing loans and borrowings	4,906
Operating lease liability	3,870
Current tax liabilities	4,619
Provisions	1,928
Deferred tax liabilities	10,221
	<b>31,281</b>
Total identifiable assets at fair value	84,062
Goodwill arising on acquisition (provisional)*	30,695
Purchase Consideration transferred	<b>114,757</b>
This consisted of -	
Shares issued at fair consideration	10,848
Net Cash paid after vendor refund	103,909
<b>Total purchase consideration</b>	<b>114,757</b>
<b>Analysis of cash flows on acquisition:</b>	
Purchase Consideration transferred	114,757
Shares issued as part of the consideration	(10,848)
Net cash acquired with the acquisition	(200)
Gross refund due from Vendor	6,293
<b>Net cash outflow</b>	<b>110,002</b>

The fair value of vessels included in Property, Plant and Equipment is \$85.4m. These are based on external valuations and internal assessment. The Deferred Tax Liability mainly comprises the tax effect on contracted utilisation fees in relation to a Gladstone contract.

**Customer Contracts**

Customer contracts of \$7.6m are associated with several government contracts for ferry services in Southern Moreton Bay, a ferry contract for sand transport and contracts associated with ferry transport in Gladstone. A Deferred Tax Liability for \$2.3m associated with these customer contracts is also included in the fair value recognised.

During the period, the Company recorded an amortisation of \$154,000 associated with customer contracts with an associated reduction in the Deferred Tax Liability of \$46,000.

**Goodwill**

Goodwill recognised is primarily attributable to expected synergies and other benefits from combining assets and activities of the Transit Systems Marine business with those of the Group. None of the goodwill is expected to be deductible for income tax purposes.

\* Calculations associated with resetting of tax cost base allocations have been drafted. These may alter over the next period as they are finalised in conjunction with the 2016 tax return.

From the date of acquisition, Transit Systems Marine has contributed \$14.9m to revenue and \$4.3m to the earnings before interest and tax from continuing operations. If the combination had taken place at the start of the financial year, revenue from continuing operations for the Group would have been \$109.0m and profit before interest and tax from continuing operations for the Group would have been \$23.5m. The profit before interest and tax achieved in the first 4 months of the financial year has been extracted from the vendor's accounting systems using unaudited accounts and using the vendor's accounting policies as it is impractical to revise accounts on a consistent policy basis.



**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**16 Business Combinations (cont)**

**Acquisition of Transit Systems Marine (cont)**

\$'000

**Additional cash flows on acquisition:**

Transaction costs of the acquisition (included in cash flows from Operations)	(937)
Net cash acquired with the acquisition	200
Transaction costs associated with issuance of shares	<u>(1,679)</u>
<b>Net cash flow on acquisition</b>	<b><u>(2,416)</u></b>

The Group issued 3,200,000 ordinary shares as consideration for the 100% interest in the Transit Systems Marine Group. The fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the acquisition which was \$3.39 each. The fair value of the consideration was \$10,848,000.

Transaction costs of \$937,000 have been expensed and are disclosed as a separate line item in the profit and loss. The attributable costs of the issue of shares of \$1,679,000 less an associated tax benefit of \$503,820 have been charged directly as a reduction to issued capital.

There was no contingent consideration.

**17 Operating Lease**

The Group has entered an arrangement in Gladstone where certain vessels have been funded by a third party. During the vessels contractual period, certain principal payments are made to reduce the net exposure to an agreed residual, which, at maturity, is offset against utilisation fees. Utilisation fees are brought to account progressively over the term of the contract. There are currently six vessels under this arrangement. All contracts finalise by June 2017.

**SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES**  
**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Sealink Travel Company Limited, I state that:

1. In the opinion of the directors:

(a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:

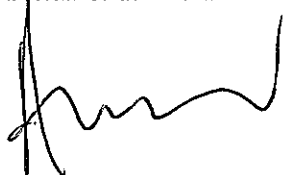
(i) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

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

2. This declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the half year ended 31 December 2015.

On behalf of the Board



Sealink Travel Group Ltd  
Andrew McEvoy  
Chairman  
15 February, 2016



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To the members of Sealink Travel Group Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sealink Travel Group Limited, which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 31 December 2015 half-year ended on that date, 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 half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sealink Travel Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, 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.



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## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sealink Travel Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Nigel Stevenson  
Partner  
Adelaide  
15 February 2016