


Connecting travellers with  
iconic places, unique destinations  
and memorable experiences





SeaLink Travel Group is Australia's most dynamic tourism and transport company, connecting travellers across Australia and from around the world with iconic places, unique destinations and memorable experiences.

Iconic places

We help Australian and international travellers discover some of our country's most iconic locations

Unique destinations

We provide safe and consistent transport solutions for commuters, businesses and governments

Memorable experiences

We create memorable experiences with our holidays, accommodation, tours and activities



*Diving with turtles off  
Magnetic Island, Queensland*

SeaLink Travel Group	2	Directors' Report	13
Five Year Financial Highlights	3	Financial Report	17
Chair Report	4	Auditor's Report	50
CEO Report	5	Remuneration Report	53
Revenue History	10	ASX Additional Information	61
Key Results	12	Corporate Governance	62

# SEALINK TRAVEL GROUP

SeaLink Travel Group Limited (SeaLink, the Company or the Group) is one of Australia's most dynamic tourism and transport companies, connecting travellers across Australia and from around the world with iconic places, unique destinations and memorable experiences.

The Group operates a broad mix of services and offers a wide range of products marketed under the SeaLink and Captain Cook Cruises brand marques. These services and products comprise holidays, accommodation, tours and activities, as well as safe and consistent transport solutions for commuters, businesses and governments.

SeaLink was founded in 1989 with the purchase of a ferry service linking Kangaroo Island with the South Australian mainland. The Company now has operations across four states and the Northern Territory, and covers 10 islands and 12 destinations.

SeaLink owns and operates a fleet of 74 vessels and other maritime craft with over 1,200 staff servicing more than eight million customers each year.

Additionally, SeaLink runs a fleet of 39 coaches and touring vehicles.

**SeaLink's operations are conducted through three core business units. These comprise:**

- SeaLink South Australia including SeaLink Kangaroo Island, coach touring, the Australian Holiday Centre and the *PS Murray Princess* at Mannum, South Australia
- Captain Cook Cruises on Sydney Harbour and Perth
- SeaLink Queensland including Darwin, Townsville, Gladstone and Brisbane

**SeaLink successfully listed on the Australian Securities Exchange (ASX) on 16 October 2013 (ASX code SLK).**



*Heading to Kangaroo Island across Backstairs Passage, South Australia*

## OUR BRANDS

**SEALINK**

South Australia  
Queensland  
Northern Territory

  
**CAPTAIN COOK  
CRUISES**

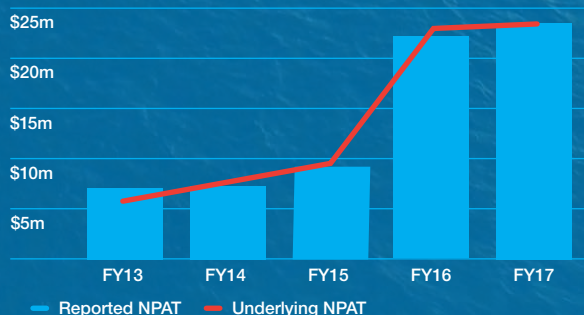
New South Wales  
Western Australia

## FIVE YEAR FINANCIAL HIGHLIGHTS

### SEALINK TRAVEL GROUP

PERFORMANCE		2013	2014	2015	2016	2017
Operating Revenue	\$m	91.4	103.8	111.3	176.8	201.4
Underlying EBIT	\$m	9.2	12.4	14.8	35.3	37.5
EBIT margin	%	10.0	11.9	13.3	19.9	18.6
Underlying NPAT*	\$m	7.0	7.9	9.6	23.1	23.6
Underlying EPS* (basic)	cents	10.4	11.8	12.6	24.4	23.6
Dividend per share (100% franked)	cents	7.5	7.4	7.8	12.0	14.0
Payout ratio (Reported NPAT)	%	69.9	73.7	64.1	54.3	59.5
FINANCIAL STRENGTH						
Net assets	\$m	30.8	53.9	61.3	137.0	147.7
NTA per share	cents	41.6	61.7	68.9	89.0	100.0
Gearing	%	34	17	13	33	31

### NET PROFIT AFTER TAX



### UNDERLYING EARNINGS PER SHARE UNDILUTED



## CHAIR REPORT

Dear Shareholders

I am pleased to report another excellent year for SeaLink Travel Group (SeaLink) – with record profit, further expansion of the Australian business base and strengthening of the balance sheet. We have now established ourselves as a major Australian based tourism and transport operator with operations all around the country.

Apart from recent new route expansions, it has been a year of consolidation and improved profitability. We have bedded down recent acquisitions including the integration of the former Transit Systems businesses in SE Queensland (SEQ) and Gladstone, as well as our most recent purchase, Captain Cook Cruises in Western Australia. The SEQ business in particular has made a significant contribution to our record results and supports the strategy of diversification across geographic regions as well as the types of businesses we operate.

Market conditions for SeaLink have been positive for the year under review; Australia continues to be regarded as a safe travel destination. This positive environment is aided by increasing Government focus on tourism, as well as the need to reduce traffic congestion and improve transport routes in our major cities by utilising “the blue highway”. SeaLink is well positioned to benefit from the consequent growth in tourism and expanded commuter routes.

We have been successful in securing work for the five Capricornian vessels from Gladstone and we are also excited about new routes in Sydney (Manly to Barangaroo) and Perth (Rottnest Island), commencing in September and November respectively.

During the year we completed due diligence on potential acquisitions. These failed to meet our commercial and financial investment criteria. We continue to investigate opportunities in both the tourism and transport sectors based on our core strengths.

It is an exciting time for SeaLink. We have grown our businesses during the last year despite the expected reduction in earnings from the Gladstone operations. With our strong Balance Sheet, we continue to review strategic and value-adding acquisition opportunities for the future.

Expanding opportunities for our existing businesses is also a prime focus, including maximising utilisation for our fleet of 74 vessels. We continue to work on our fleet renewal and replacement program, adding three additional vessels during the year.

We are confident we have the right strategies and plans in place together with strong management to deliver the next phase of growth.

I am pleased we are able to declare a fully franked final dividend of 8.0 cents per share (a 6.7% increase on our 2016 final dividend), and I thank our shareholders for their continuing support of the Company.

During the year Mr Bill Spurr AO retired from the Board after eight years of service. The Board would like to express its gratitude for the contribution made by Mr Spurr whose calm and assured nature, strong understanding of Government and tireless work ethic added great value.

We welcomed Ms Fiona Hele to the Board in September. Ms. Hele has extensive experience in the financial sector and is a chartered accountant with over 20 years in Private Practice specialising in strategic and succession planning, human resource issues, profit and process improvement, feasibility studies, corporate governance and due diligence.

Ms. Hele is a board member of the Adelaide Venue Management Corporation, Adelaide Fringe and South Australian Tourism Commission.

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

Finally, I would like to express my thanks to our CEO and Managing Director Jeff Ellison and the SeaLink team of more than 1,200 employees across Australia for their hard work and contribution during the year, and I look forward to our continuing success together.

**Andrew McEvoy**

**Chair**

SeaLink Travel Group Limited



*Sailing past Australia's iconic Sydney Opera House and Sydney Harbour Bridge*

## CEO REPORT

It gives me great pleasure to report on the Company's performance over the past financial year.

The successful integration of the businesses acquired by the Group last year has firmly established SeaLink with a diversified portfolio of assets. This balances our key tourism and transport businesses and positions us well for future growth.

With record sales, record profit and consistent earnings per share, the Company has been able to increase its final dividend from 7.5 cents per share last financial year, to 8.0 cents per share this financial year. This brings the full year dividend to 14.0 cents per share up from 12.0 cents per share last year.

### Result Overview

The Company recorded a Net Profit after Tax (NPAT) of \$23.8m compared to a NPAT of \$22.3m for the year ended June 2016.

The year's highlight was the growth that we achieved in our tourism related businesses, particularly in South Australia and Queensland.

SeaLink's achievements in its key business segments for the year were:

- Successful redeployment of five Capricornian class vessels following the planned Gladstone service changes
- Improved margins on growing sales for Captain Cook Cruises' lunch and dinner cruises in Sydney
- Higher occupancy returns from the *PS Murray Princess*

- Planning and preparation for the launch in September 2017 and November 2017 of two new services (Manly to Barangaroo, NSW and Fremantle to Rottnest Island, WA)
- Pleasing growth in patronage and profit margin for South Australian operations
- QuickTravel ticketing successfully rolled out in South East Queensland
- Increased ferry patronage to Stradbroke Island
- Construction of three vessels
- Purchase of four new 53 seat Scania coaches for growing South Australian touring operations.

The 2017 result was pleasing given the impact of weather events around the country that disrupted services. These included Cyclone Debbie in Queensland and Cyclone Blanche in the NT, unseasonal weather in the first half for Kangaroo Island and March for Sydney, as well as challenging conditions from both a weather and economic perspective in Perth.

Both our Gladstone and South East Queensland operations performed in line with expectations as the Gladstone business transitioned its contracted obligations from the construction to operational phase during the year.

The contribution from Captain Cook Cruises Western Australia improved but it continues to be below our expectations and the potential we see for the business. The recent announcement of a new service to Rottnest Island is a significant opportunity for our WA operations and is consistent with our strategic plan for this business.



Growth in Profit Before Tax reflected a higher contribution from our South Australia operations. This increased contribution can be attributed to a combination of higher sales reflecting increased coach tour and ferry passengers, greater vehicle traffic, and lower repairs and maintenance costs. Captain Cook Cruises Sydney also increased its profit contribution compared to the previous year due to the benefits of higher yielding products and customer experiences particularly in the international market.

Higher fuel costs due to increases in world oil prices had a negative effect on the result. We are, however, seeing greater stability in global prices and we are actively looking to hedge some of our exposure when the time is right.

In a competitive environment, Company revenue increased by 13.3% as a result of growth in all businesses and the full year impact of acquisitions made in the previous year.

During 2016/2017, SeaLink took delivery of three new vessels – the *MV Tommy Lyon* in September 2016, which began service in Darwin and the *MV Cockle Bay* and *MV Blackwattle Bay* ferries, which commenced operations in Sydney servicing the inner harbour from January 2017.

The Company continues to focus on its strategy of growth through acquisition as well as maximising sales growth and profitability from its existing businesses, including the addition of new routes and products. We have an ongoing focus and commitment to margin enhancement initiatives via pricing strategies as well as cost savings and efficiency gains.

Our underlying cashflow profile and the cash position at year-end is strong, with all financial covenants comfortably met during the year. Gearing (interest bearing debt to total tangible assets) at year-end was 31%. This is well within prudent gearing levels, and positions us well for future investment.

We continue to develop our technology platform, and have successfully rolled out our QuickTravel booking system into South East Queensland. This will be introduced into Western Australia later in the year. QuickTravel is assisting us to better understand and manage capacity, manage yield growth, achieve variable pricing and monitor passenger trends.

*The paddle steamer Murray Princess offers a perfect view of the red cliffs by the Murray River, South Australia*

### **SeaLink South Australia**

#### **PS Murray Princess**

*PS Murray Princess* sales showed continued growth, increasing by 10.2% on last year. Its profit contribution increased due to higher occupancy and cabin yield as a result of several successful marketing strategies including themed cruises and promotions during quieter trading months and completion of the outside cabin refurbishment program.

#### **Kangaroo Island SeaLink**

The Kangaroo Island business had another solid year. Revenue grew as a result of increased traffic flow to Kangaroo Island and improved touring sales. Passenger and vehicle numbers increased, whilst freight was up reflecting higher agricultural output. Lower margin accommodation package sales held back overall sales growth as more visitors booked online direct with suppliers. Our Travel Centre sales revenue reduced, reflecting a continuing trend towards direct online sales and as a result we closed our Sydney Travel Centre in June 2017. The business also benefited from no weather interruptions or cancellation of services in the second half, and 19 cruise ships visiting the Island during the year, which boosted touring sales.

Vessel repairs and maintenance for the South Australian based vessels was \$0.5m lower than the previous year because no scheduled out of water maintenance was required. However, higher fuel costs as a result of increases in world oil prices offset some of these gains.

We continued to invest in our vehicle fleet with four new 53-seat coaches purchased for the Kangaroo Island Tours operations. We also introduced a new on-board fleet management and performance monitoring system that has improved driver safety and delivered operating efficiencies.

SeaLink continued to discuss opportunities to extend its licence agreement with the South Australian Government on a mutually beneficial basis.

The overall contribution by this business segment before interest and tax increased by 13.1% to \$14.7m.

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



## Captain Cook Cruises

New South Wales and Western Australia

### Captain Cook Cruises New South Wales (CCC NSW)

The 2016-17 year continued this business unit's growth in sales and product expansion as a result of stronger tourism demand and an improvement in the charter sector, particularly during the Vivid festival in May/June 2017.

Despite a higher contribution from the growing dining product, profit was held back with poor weather conditions in March and a slight decrease in sales on Hop-on/Hop-off and fixed route ferry services.

Sales increased by \$3.0m or 8.1% across the year, with growth coming from dining cruises and charters; sales increased 5% and 30% respectively.

We are pleased with the continuing success of our premium dining strategy. Yield growth on premium products has comfortably outstripped the expected decline in patron numbers in the strategic move away from lower margin offerings. A three-month dry lease charter to Tonga, which finished in January 2017, assisted charter sales. Sales increases also came from sightseeing and coffee cruises, which are proving to be a popular tourism offering.

One of the fundamental issues facing Sydney as a leading international city is its increasing level of traffic congestion. This has a major impact on the NSW economy and on the quality of life and amenity for many Sydney residents and visitors. In recent years, SeaLink has identified that it can play a key role in the effective and efficient use of Sydney Harbour as a 'blue highway' whilst creating value for SeaLink shareholders.

We have been successful in implementing our strategic plans to increase vessel and ferry routes to service Sydney Harbour residents and visitors. An example of this is the recently commenced transfer program on the inner harbour from the International Convention Centre to Circular Quay. We will continue to look to develop similar opportunities in the coming year.

I am also pleased to report we are planning to begin daily services between the major commuter hubs of Manly and Barangaroo utilising two vessels including one of our 400 passenger high speed Capricornian class water jet ferries. Barangaroo is quickly becoming a destination hub for major Australian businesses. It is also a fast-growing hospitality and entertainment area within the Sydney CBD.

Our Sydney business took delivery of two 60-passenger 'Tubby class' vessels – *MV Cockle Bay* and *MV Blackwattle Bay* – in December 2016. These will be used to expand our inner harbour services providing regular and cost-effective services.

### Captain Cook Cruises Western Australia (CCC WA)

The business was acquired in April 2016 but has performed below expectations despite it making a positive contribution to earnings. Economic conditions in WA have remained subdued due to the downturn in the mining industry, and this downturn, along with some adverse weather conditions, has had a negative impact on the business. We are well placed to take advantage of new infrastructure projects such as the redevelopment of the Elizabeth Quay precinct and the upcoming opening of the new Perth Stadium, both of which are expected to create new ferry routes and charter opportunities.

In February 2017, we recruited a new General Manager to the business and conducted a thorough review and refresh of our product offering. Since then, existing cruise experiences have undergone major enhancements to bring them in line with today's consumer expectations. This includes new food and beverage menus as well as the refurbishment of vessels.



The benefits of this are beginning to be seen and we are confident the FY18 year will be a much better year for this business.

I was pleased to recently announce we will be commencing commuter services from Fremantle to Rottnest Island, starting November 2017, utilising one of our high speed 400 passenger Capricornian water jet ferries. We will be using our extensive and well recognised international and domestic sales and marketing infrastructure to help raise the profile of Rottnest Island as a significant tourist destination.

We are confident our economies of scale will enable SeaLink to offer a competitive pricing structure that will grow demand for visits to the Island.

### **SeaLink Queensland**

SeaLink Gladstone and South-East Queensland

The business in Gladstone and South East Queensland, which was acquired on 6 November 2015, has continued to perform to expectations.

#### **Gladstone**

In Gladstone, all ferry service contracts for the construction phase of the Curtis Island LNG plants were finalised in November 2016 and ferry services are now provided to the gas plants on long-term operational contract basis for eight vessels.

During the period, dry leases were put in place for two Capricornian vessels that were no longer utilised for the construction phase, one operating in Melbourne and one in New Zealand. One of the remaining two vessels has been redeployed in Sydney to operate the Manly to Barangaroo service, with the other vessel relocating to Perth to operate our service to Rottnest Island. The remaining Capricornian vessel remains in Gladstone on long-term contract.

These examples highlight the versatility and flexibility of our fleet to enable us to pursue new opportunities.

#### **South-East Queensland**

In April 2017, we recruited a new General Manager to the business with a very strong background in tourism, who will lead our strategic plan to grow tourism on North Stradbroke Island.

The South-East Queensland result benefited from the barging supplies for housing and infrastructure activity generated to meet the demand from the growing residential area of outer Brisbane.

The operational result from Stradbroke Ferries was stronger than expected with vehicle growth being a key driver.

We continue to work effectively with the Queensland Government and local community groups on further opportunities to grow tourism on North Stradbroke Island.

We also took advantage of consolidating the South-East Queensland operations onto one site, which has reduced office overheads and improved the coordination of day to day running of the business.

The operation has also benefited from a full year ownership of the shore base café. This strategic decision to control the shore base food and beverage operation has given the business greater buying power and has assisted in enhancing the offerings of the cafés on the vessels.

Existing transport contracts with the Queensland Government continue to meet key performance expectations.

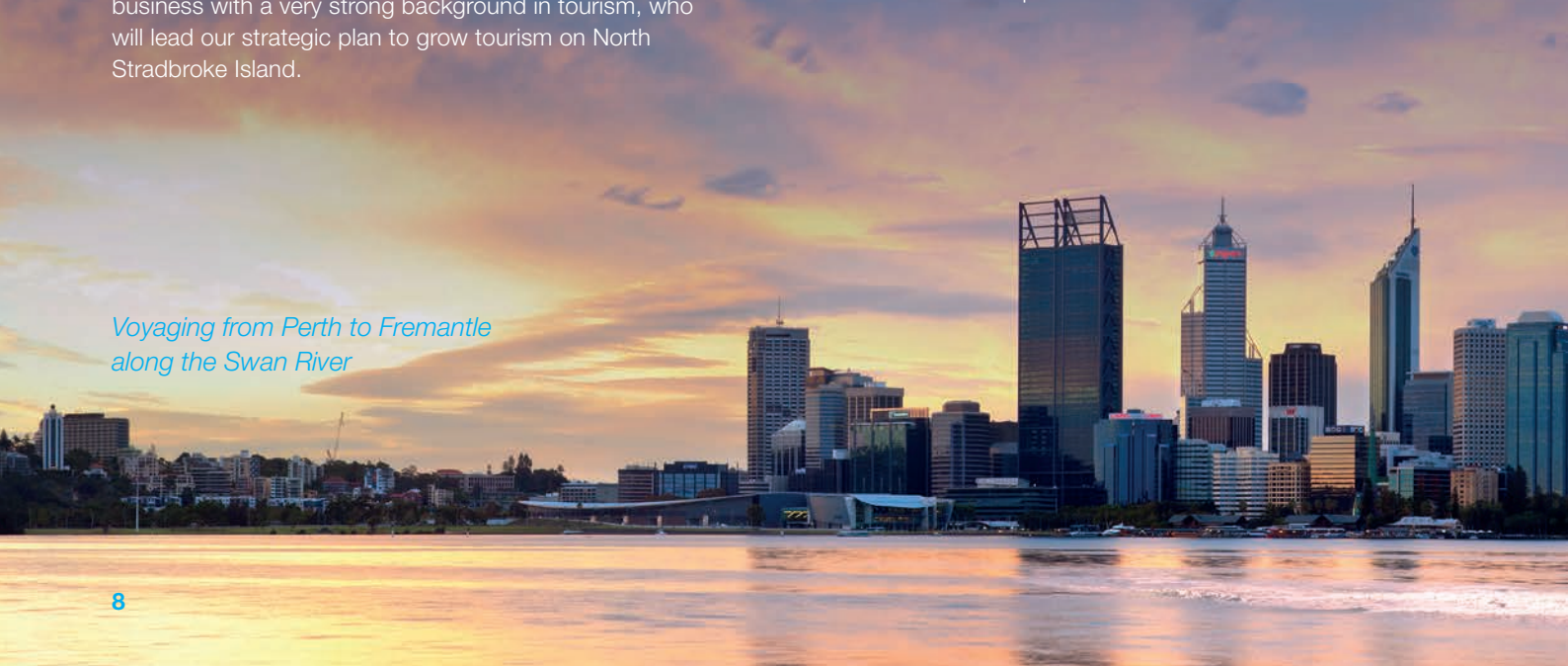
### **SeaLink Townsville and Northern Territory**

The significant development in the Townsville/Northern Territory based business during the year was the commencement of a new service connecting Groote Eylandt to Bickerton Island in the Northern Territory. Assisted by tight cost control the SeaLink Townsville/Northern Territory business segment profit contribution before allocations increased.

Sales turnover from SeaLink Townsville increased marginally with 3.4% higher revenue from its core Magnetic Island ferry service. This reflected an increase in passenger numbers, particularly backpacker demand in the adventure segment of the market. However, the business did suffer five days of interrupted services due to Cyclone Debbie.

Palm Island revenue was flat with similar passenger numbers to last year. Charter income continued to show positive signs of growth as the business has been able to secure repeat work in the cruise ship transfer market.

*Voyaging from Perth to Fremantle  
along the Swan River*



Our Darwin operations performed to expectations during the year. Net contribution has been positive and the Company continues to look for further opportunities to expand ferry services and tourism opportunities in the region.

During the first half, construction of the *MV Tommy Lyon* was completed and this vessel went into service in Darwin. The vessel replaced the *MV James Grant*, which was transferred to Gladstone for a long-term contract.

### Board

At the October 2016 AGM, our Non-Executive Director Mr. Bill Spurr AO retired, and I thank him again for his years of valuable service and dedication to the Company. The Company is pleased to welcome Ms Fiona Hele to her role as a Non-Executive Director, joining the Board on 13 September 2016. Ms. Hele has extensive experience in both the private and corporate sector specialising in strategic and business planning, risk management and corporate governance and is a welcome addition to our Board. Ms Hele is also a Board member of the Adelaide Venue Management Corporation and South Australian Tourism Commission.

### Future

We are confident our strategy, combined with our great people and assets, will continue to deliver strong shareholder performance. There is strong appetite for SeaLink's tourism products and services in an environment of long-term growth in inbound tourism to Australia. We see new opportunities in our businesses to work closely together to save costs and grow sales as well as develop opportunities online and through social media.

In FY18 we have a number of major out of water slippings for several vessels, which will mean higher repairs and maintenance costs. In addition, as anticipated, the full year effect of loss of earnings from the Gladstone business under the operational phase will also have an impact.

Despite this, we believe the Group is well positioned to improve upon its FY17 full year result, assuming average seasonal and current business conditions remain.

We continue to seek new opportunities to grow our current businesses with new routes and services in Perth, Darwin and Sydney. Future organic tourism growth opportunities in FY18 include the development of tourism to North Stradbroke Island, continued growth in premium services in Sydney, and tourism growth in Perth.

Additionally, we continue to pursue the Company's strategy of growth by acquisition as we assess opportunities both in Australia and overseas.

Overall, FY18 has started in line with expectations, despite a number of weather-related disruptions for SeaLink South Australia in late July and early August.

In summary, SeaLink's overall plan for sustainable growth involves:

- Developing further revenue and cost saving opportunities and efficiencies from acquisitions
- Continuing to improve sales, yields and margins on transport and tourism products
- Utilising existing sales and marketing skills to promote new products and services
- Utilising in-house technology skills to improve booking processes and websites to drive increased sales and productivity
- Crystallising opportunities to use vessels coming off contract after completion of the construction phase of the LNG plants in Gladstone
- Working with Governments to develop new routes
- Continuing to seek new business acquisition opportunities that will enhance, leverage and complement our current capabilities and growth strategies

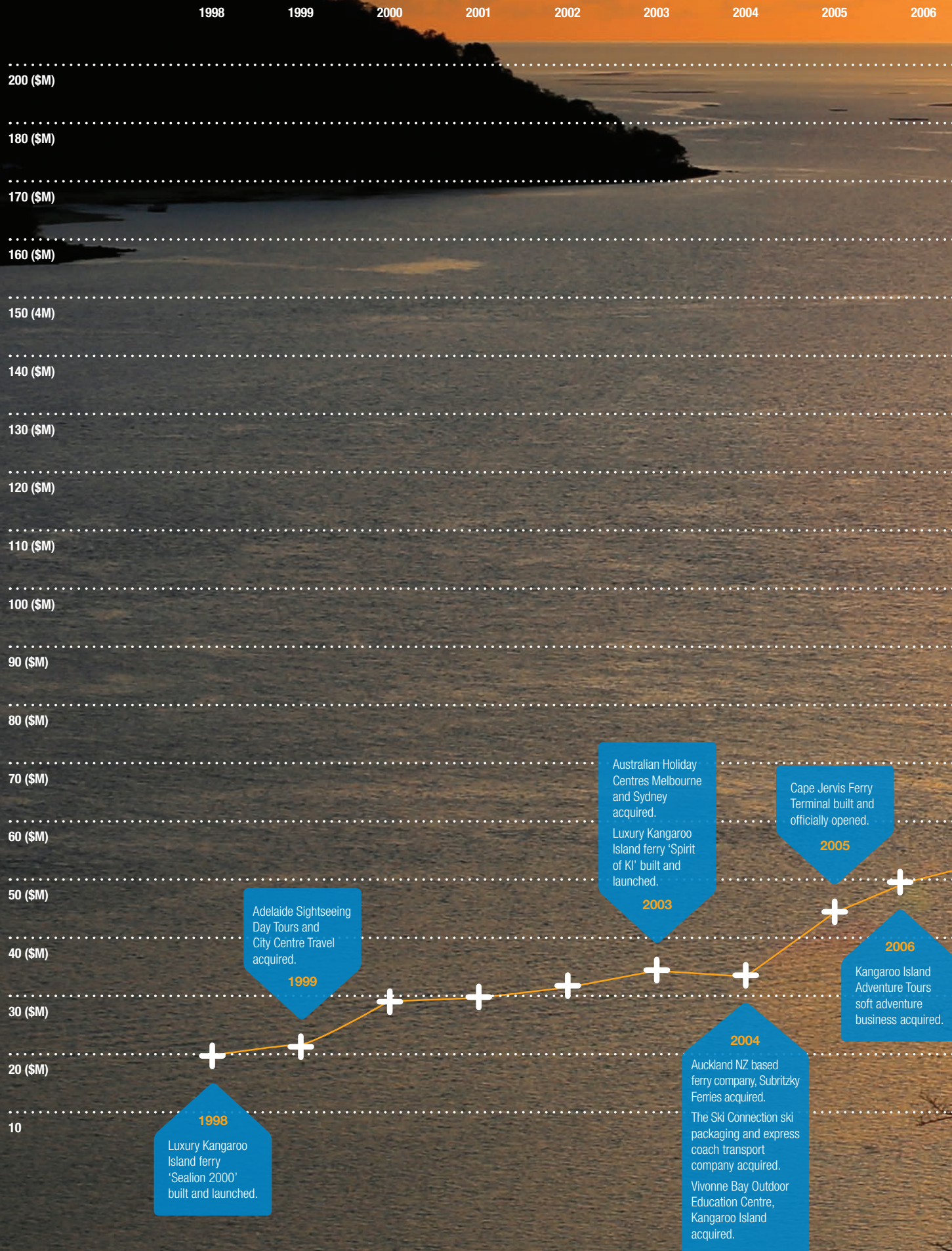
I would like to thank our employees, customers, suppliers, Directors and shareholders for their support over the past year. We could not achieve our success without all their support. The hard-working talented people at SeaLink are central to our ongoing success and I look forward to leading the Company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

### Jeff Ellison

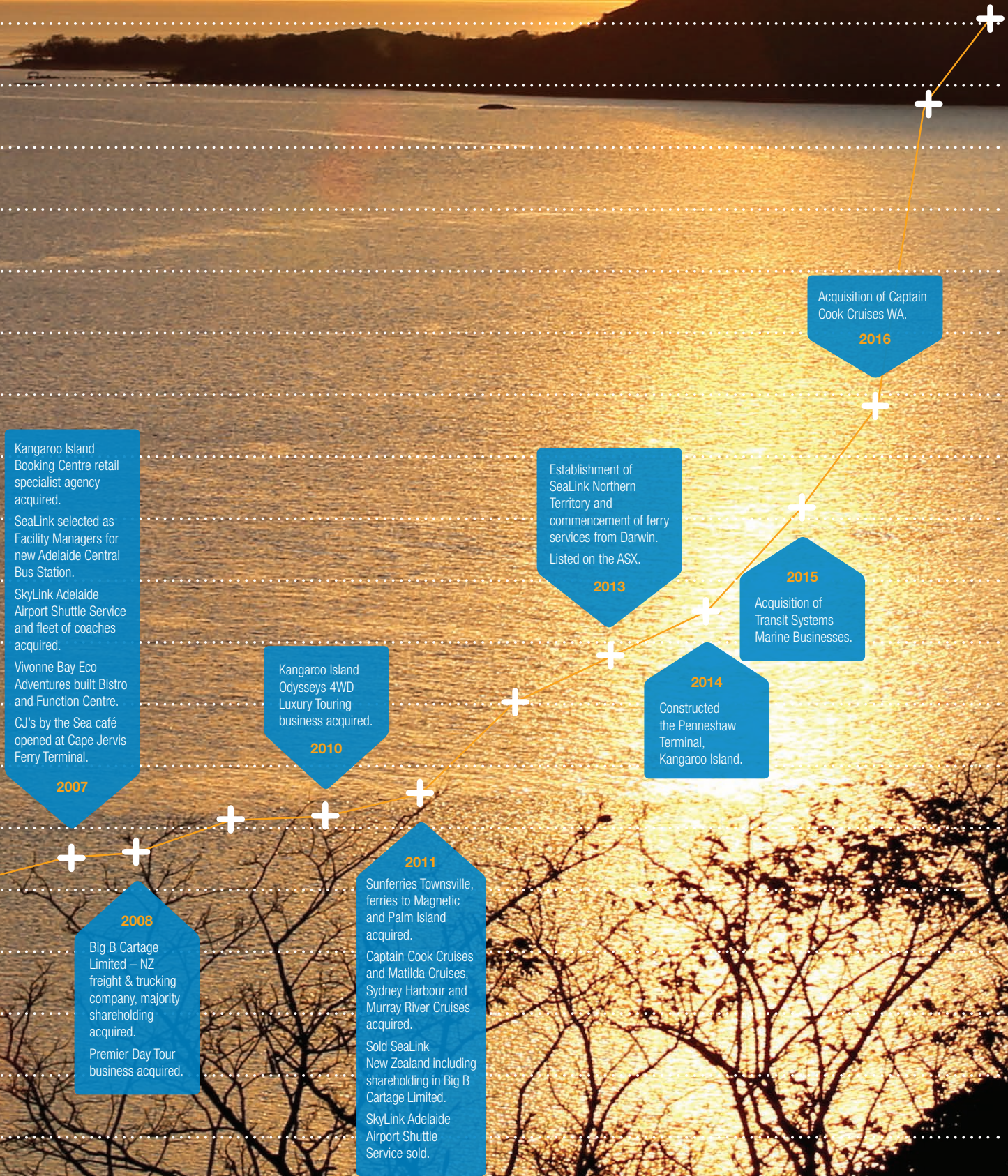
**Managing Director and CEO**  
SeaLink Travel Group Limited



# REVENUE HISTORY



2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017



# KEY RESULTS

## RESULTS IN BRIEF

	JUNE 2017 \$M	JUNE 2016 \$M	CHANGE \$M	CHANGE %
Revenue from ordinary activities	200.2	176.7	23.5	13.3
Net Profit Before Tax	34.3	32.0	2.3	7.2
Profit After Tax from ordinary activities	23.8	22.3	1.5	6.7

Note – 2016 includes acquisition costs of \$1.0m before tax.

## DIVIDEND INFORMATION

	AMOUNT PER SHARE (CENTS)	FRANKED AMOUNT PER SHARE (CENTS)	TAX RATE FOR FRANKING CREDIT
<b>30 JUNE 2016</b>			
Interim Dividend	4.5	4.5	30%
Final Dividend	7.5	7.5	30%
<b>30 JUNE 2017</b>			
Interim Dividend	6.0	6.0	30%
Final Dividend	8.0	8.0	30%

## FINAL DIVIDEND DATES

Ex-dividend Date	21 September 2017
Record Date	22 September 2017
Payment Date	16 October 2017

## NET TANGIBLE ASSETS

	JUNE 2017 \$	JUNE 2016 \$
Net Tangible Assets per Ordinary Share	1.00	0.89

The report is based on the consolidated financial statements which have been audited by Ernst & Young.

*North Stradbroke Island, Queensland.*

## DIRECTORS' REPORT

The Board of Directors of SeaLink Travel Group Limited (SeaLink or the Company) has pleasure in submitting its report for the year ended 30 June 2017.

The information set out in the CEO Report forms part of this Directors' Report.

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.



**ANDREW McEVROY**  
MA INT. COMMS, B. ARTS – CHAIR

Mr McEvoy was appointed a Director on 1 February 2015 and was appointed Chair 1 July, 2015.

Mr McEvoy holds a Bachelor of Arts Degree from the University of Melbourne and a Masters in Communications from City University in London.

Mr McEvoy has extensive experience in the tourism sector, having held management positions with both Tourism Australia and the South Australian Tourist Commission. Most recently he was Managing Director, Life Media & Events at Fairfax Media, where he managed the new business portfolio, including events and content marketing. Mr McEvoy is Chair of the Adelaide Riverbank Authority and has been awarded Life Membership of TTF Australia (Tourism and Transport Forum).

Prior to that Mr McEvoy was Managing Director of Tourism Australia, Chief Executive of the South Australian Tourist Commission and Executive General Manager of Tourism Australia. Andrew is a member of the Company's Remuneration and Nomination Committee.



**JEFFREY ELLISON**  
B. 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, and is a Fellow of the Chartered Accountants Australia and New Zealand and the Institute of Company Directors.

He has held the position of Chief Executive Officer since 1997 and was appointed Managing Director in 2008.

Mr Ellison is a member on the South Australian Botanic Gardens and State Herbarium Board and a Director of Solstice Media Ltd. Mr Ellison is a former member of the South Australian Tourism Commission, Tourism Australia International Industry Advisory Panel, Tourism and Transport Forum Australia and the Adelaide Convention Centre.



**CHRISTOPHER SMERDON**  
MAICD  
NON-EXECUTIVE DIRECTOR

Mr Smerdon has extensive experience in the Information Technology and Cyber Security field. He is currently Managing Director of Vectra Corporation, a company that provides specialist Cyber Security services to organisations handling sensitive data, financial information and large volumes of credit card transactions. Clients include banks, telcos, utilities and large retailers.

Mr Smerdon was previously Managing Director of Protech Australasia Pty Ltd, a national Information Technology systems integrator. Other Directorships currently held by Mr Smerdon are with Tourism & Allied Holdings Pty Ltd and Aquaport Corporation. He is a former member of the South Australian Government Motorsport Board.

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



**TERRY 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 Vice Chairperson on the Board of the Australian Festival of Chamber Music based in Townsville.



## ANDREA STAINES

MBA FINANCE, B.EC  
NON-EXECUTIVE DIRECTOR

Ms Staines has extensive experience in the transport sector and is a former CEO of Australian Airlines, which she co-launched in 2002. Ms Staines currently sits on the Boards of QIC, Goodstart Early Learning, Uniting Care Queensland, the Australian Rural Leadership Foundation and Tourism Australia.

Ms Staines has held previous directorships with Aurizon Holdings Ltd, Australian Rail Track Corporation, Gladstone Ports Corporation, North Queensland Airports, Allconnex Water, Early Learning Services and Royal Children's Hospital Foundation.

Ms Staines joined the Board in 2016 and is Chair of the Company's Remuneration and Nomination Committee and a member of the Company's Audit and Risk Committee.



## FIONA HELE

B.COM, FCA, GAICD  
NON-EXECUTIVE DIRECTOR  
(APPOINTED 13 SEPTEMBER 2016)

Ms Hele is a Chartered Accountant with over 20 years' experience in both the private and corporate sector specialising in strategic and business planning, risk management and corporate governance.

Ms Hele is a Board member of the Adelaide Venue Management Corporation and South Australian Tourism Commission.

Ms Hele joined the Board in 2016 and is Chair of the Company's Audit and Risk Committee.

## COMPANY SECRETARY PAUL BLEWETT LLB

Prior to joining SeaLink as General Counsel and Company Secretary, Mr Blewett was Regional General Counsel and Company Secretary for Boart Longyear Limited.

Mr Blewett has also held a number of similar positions with other ASX listed companies, following private legal practice with Lynch Meyer in South Australia.

## RETIREMENTS DURING THE YEAR

**Mr William T (Bill) Spurr** AO, formerly Non-Executive Director, retired as a Director on 25 October 2016.

**Mr Trevor Waller** formerly joint Company Secretary, retired as Company Secretary on 2 March 2017.

*Servicing the Curtis Island LNG plants in Gladstone, Queensland.*



## INTERESTS 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
A McEvoy (Chair)	14,350	100,000
C Smerdon	6,104,500	–
J Ellison	5,524,769	–
T Dodd	5,212,000	–
F Hele	10,000	–
A Staines	–	–

## DIRECTORS' 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 ATTENDED
Number of meetings held:	12	5	2
A McEvoy (Chair)	12	–	2
C D Smerdon	11	5	–
J R Ellison***	12	5	2
T J Dodd	12	–	2
W T Spurr (Former Director)*	1	–	–
A Staines	12	5	2
F Hele**	10	5	–

All current Directors were eligible to attend all meetings held, except for Ms Fiona Hele who was eligible to attend 10 meetings.

\* Mr Spurr retired as a Director 25 October 2016

\*\* Ms Hele was appointed as a Director 13 September 2016

\*\*\* Mr Ellison attended the Board 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:

<i>Audit and Risk</i>	<i>Remuneration and Nomination</i>
F Hele (Chair)	A Staines (Chair)
A Staines	A McEvoy
C Smerdon	T Dodd

## 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;
- Tug and barge service; and
- Accommodation and restaurant services at Vivonne Bay.

## SHARE OPTIONS

### Unissued shares

As at 30 June 2017, there were 300,000 (2016: 200,000) options outstanding to acquire ordinary shares in the Company. During the year, 100,000 options were issued to Mr McEvoy as approved at the Company's AGM in October 2016. No options to acquire shares or interests in the Company or a controlled entity were granted 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, no options were exercised by Directors or employees.

# DIRECTORS' REPORT CONTINUED

## 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 2017 paid 13 April 2017.	6.0	\$6,069,246
Final fully franked dividend for the year ended 30 June 2016 and paid 14 October 2016.	7.5	\$7,586,558

SeaLink's Directors declared a 8.0 cents per share fully franked final dividend payable on 16 October 2017 to shareholders registered on 22 September 2017. This represents a 59.4% return of net profit after tax to shareholders, in line with SeaLink'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 2016 was 6.0 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 dividends.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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 8.0 cents per share was declared by the Directors on 15 August 2017, representing a total payment of \$8,092,328 to be paid 16 October 2017 based on the current number of ordinary shares.

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

## 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.

## 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is included at the end of the financial report.

## 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 acquisition related services	\$28,820
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## 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 2017 under the Deeds of Indemnity.

## INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, 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.

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 30 JUNE 2017	NOTE	2017 \$'000	2016 \$'000
<b>CONTINUING OPERATIONS</b>			
Revenue	1A (a)	200,240	176,723
Interest income		43	203
Other income	1A (b)	1,124	533
<b>Total Income</b>		<b>201,407</b>	<b>177,459</b>
<b>DIRECT OPERATING EXPENSES</b>			
Direct wages		56,536	47,157
Repairs and maintenance		9,281	8,845
Fuel		7,711	5,927
Commission		7,373	6,647
Meals and beverage		11,085	7,693
Accommodation		4,131	4,332
Tour Costs		10,263	10,465
Depreciation		10,345	7,838
Other direct expenses		11,049	9,939
<b>ADMINISTRATION EXPENSES</b>			
Indirect wages		20,390	19,497
General and administration		11,347	10,596
Marketing and selling		2,780	2,076
Financing charges	1B (a)	3,239	2,470
Amortisation of customer contracts	1B (b)	1,560	965
Business acquisition expenses	1B (g)	–	1,040
<b>Total Expenses</b>		<b>167,090</b>	<b>145,487</b>
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		34,317	31,972
Income tax expense	1C	10,485	9,623
<b>Profit for the year from continuing operations</b>		<b>23,832</b>	<b>22,349</b>
<b>Attributable to equity holders of the parent</b>		<b>23,832</b>	<b>22,349</b>
<b>EARNINGS PER SHARE</b>			
Basic, profit for the year attributable to ordinary equity holders of the parent		\$0.236	\$0.236
Diluted, profit for the year attributable to ordinary equity holders of the parent		\$0.235	\$0.234

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (OCI)

FOR THE YEAR ENDED 30 JUNE 2017	NOTE	2017 \$'000	2016 \$'000
<b>PROFIT FOR THE YEAR</b>		23,832	22,349
<b>OTHER COMPREHENSIVE INCOME</b>			
Net (loss) / gain on cash flow hedge (interest rate swap)		607	(1,070)
Deferred Tax		(182)	321
Net other comprehensive loss to be reclassified to Profit and Loss in subsequent financial periods	3C	425	(749)
<b>Total comprehensive income for the year, net of tax</b>		<b>24,257</b>	<b>21,600</b>
<b>Attributable to equity holders of the parent</b>		<b>24,257</b>	<b>21,600</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017	NOTE	2017 \$'000	2016 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2A	2,923	5,208
Trade and other receivables	2B	10,310	14,951
Inventories	2C	3,403	3,154
Prepayments		1,958	1,810
<b>Total Current Assets</b>		<b>18,594</b>	<b>25,123</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2D	170,787	175,037
Intangible assets	2E	46,188	47,748
Deferred tax assets	2J	3,894	4,693
<b>Total Non-Current Assets</b>		<b>220,869</b>	<b>227,478</b>
<b>Total Assets</b>		<b>239,463</b>	<b>252,601</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	2F	8,594	9,759
Unearned revenue	2H	5,487	5,000
Operating lease liability	2K	–	1,279
Interest bearing loans and borrowings	2I	21 3,060	2,864
Current tax liabilities		2,020	14,264
Other financial liabilities	2L	123	230
Provisions	2G	7,950	8,525
<b>Total Current Liabilities</b>		<b>27,234</b>	<b>41,921</b>
<b>NON-CURRENT LIABILITIES</b>			
Unearned revenue	2H	977	1,149
Interest bearing loans and borrowings	2I	58,072	65,233
Deferred tax liabilities	2J	4,140	5,514
Other financial liabilities	2L	340	840
Provisions	2G	1,017	989
<b>Total Non-Current Liabilities</b>		<b>64,546</b>	<b>73,725</b>
<b>Total Liabilities</b>		<b>91,780</b>	<b>115,646</b>
<b>Net Assets</b>		<b>147,683</b>	<b>136,955</b>
<b>EQUITY</b>			
Contributed equity	3B	95,557	95,557
Reserves	3C	322	(230)
Retained earnings		51,804	41,628
<b>Total Equity</b>		<b>147,683</b>	<b>136,955</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED	NOTE	CASH FLOW HEDGE RESERVE \$'000	CONTRIBUTED EQUITY \$'000	RETAINED EARNINGS \$'000	SHARE OPTION RESERVE \$'000	TOTAL \$'000
<b>BALANCE AT 1 JULY, 2015</b>		–	33,904	26,903	487	61,294
Profit for the period		–	–	22,349	–	22,349
Other comprehensive income	3C	(749)	–	–	–	(749)
Total comprehensive income for the period		(749)	–	22,349	–	21,600
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS –</b>						
Dividends paid or provided for	3D	–	–	(7,624)	–	(7,624)
Issue of share capital	3B	–	61,653	–	–	61,653
Issue of share options	7D	–	–	–	32	32
<b>Balance at 30 June, 2016</b>		<b>(749)</b>	<b>95,557</b>	<b>41,628</b>	<b>519</b>	<b>136,955</b>
<b>BALANCE AT 1 JULY, 2016</b>		(749)	95,557	41,628	519	136,955
Profit for the period		–	–	23,832	–	23,832
Other comprehensive income	3C	425	–	–	–	425
Total comprehensive income for the period		425	–	23,832	–	24,257
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS –</b>						
Dividends paid or provided for	3D	–	–	(13,656)	–	(13,656)
Issue of share capital	3B	–	–	–	–	–
Issue of share options	7D	–	–	–	127	127
<b>Balance at 30 June, 2017</b>		<b>(324)</b>	<b>95,557</b>	<b>51,804</b>	<b>646</b>	<b>147,683</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017	NOTE	2017 \$'000	2016 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		206,338	176,178
Payments to suppliers and employees		(144,178)	(128,771)
Net GST paid		(9,788)	(4,856)
Interest received		43	203
Interest paid		(3,239)	(2,502)
Income tax (paid) / received		(23,485)	(8,158)
Net Operating Cash Flows	2A	25,692	32,094
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		389	26
Cash was disbursed to:			
Payments for property, plant and equipment		(6,467)	(6,855)
Acquisition of new businesses (net of cash acquired)	7A	–	(115,273)
Net Investing Cash Flows		(6,079)	(122,102)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	3B	–	50,299
Proceeds from borrowings		1,809	57,500
Repayment of borrowings		(10,053)	(7,220)
Dividend paid	3D	13,654	(7,624)
Net Financing Cash Flows		(21,898)	92,955
Net Increase / (Decrease) in Cash Held		(2,285)	2,947
Cash and Cash Equivalents at 1 July		5,208	2,261
<b>Cash and Cash Equivalents at 30 June</b>	<b>2A</b>	<b>2,923</b>	<b>5,208</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## INDEX

### SECTION 1: KEY NUMBERS – STATEMENTS OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

1A	Income
1B	Expenses
1C	Tax expense
1D	Operating segment reporting

### SECTION 2: KEY NUMBERS – STATEMENT OF FINANCIAL POSITION

2A	Cash and cash equivalents
2B	Trade and other receivables – current
2C	Inventories
2D	Property, plant and equipment
2E	Intangible assets
2F	Trade and other payables
2G	Provisions
2H	Unearned revenue
2I	Interest bearing loans and borrowings
2J	Deferred tax
2K	Operating lease
2L	Other financial liabilities

### SECTION 3: CAPITAL

3A	Capital management
3B	Equity
3C	Reserves
3D	Dividends
3E	Earnings per share

### SECTION 4: RISK

4A	Financial risk management objectives and policies
4B	Financial Instruments

### SECTION 5: ACCOUNTING POLICIES

5A	Basis of preparation
5B	Significant accounting policies
5C	Changes in accounting policies and disclosures
5D	Accounting standards issued but not yet effective
5E	Fair value measurement

### SECTION 6: UNRECOGNISED ITEMS

6A	Commitments
6B	Contingencies
6C	Events after the reporting period

### SECTION 7: OTHER

7A	Business combinations
7B	Corporate information
7C	Parent disclosure
7D	Share option plans
7E	Related party transactions
7F	Related bodies corporate

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

## 1 STATEMENTS OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

	2017 \$'000	2016 \$'000
REVENUES FROM CONTINUING OPERATIONS		
<b>A INCOME</b>		
<b>(a) REVENUE</b>		
Sales revenue	199,759	176,248
Rental income	481	475
	200,240	176,723
<b>(b) OTHER INCOME</b>		
Profit on the sale of fixed assets	17	5
Expired bookings and cancellation fees	407	315
Other	700	213
	1,124	533
<b>B EXPENSES</b>		
<b>(a) FINANCE COSTS</b>		
Interest expense		
– Borrowings	2,307	1,773
– Leases	188	144
Finance charges	744	553
	3,239	2,470
<b>(b) DEPRECIATION/AMORTISATION</b>		
Depreciation		
– Property, plant and equipment	10,123	7,770
– Leased assets	222	68
Total depreciation	10,345	7,838
Amortisation of customer contracts	1,560	965
<b>(c) EMPLOYEE BENEFITS EXPENSE</b>		
Wages and salaries	63,866	53,769
Share based expense	125	32
Other employee benefits / entitlements	2,795	2,175
Superannuation	6,345	5,411
Workers Compensation costs	1,528	1,620
	74,659	63,008
<b>(d) LEASE PAYMENTS IN INCOME STATEMENT</b>		
Lease and rental expenses	3,013	2,497
<b>(e) AUDITOR'S REMUNERATION</b>		
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	229	229
– Other services – Assurance and due diligence	29	51
	258	280
<b>(f) INVENTORY EXPENSE</b>		
Costs of inventories recognised as an expense	14,474	13,734
<b>(g) ACQUISITION EXPENSE</b>		
Costs involved in relation to business acquisitions (stamp duty, legal)	–	1,040



	2017 \$'000	2016 \$'000
<b>C TAX EXPENSE</b>		
The major components of income tax expense for the years ended 30 June 2017 and 2016 are:		
<b>Consolidated statement of profit and loss</b>		
Current tax	11,633	16,029
Deferred tax	(1,269)	(6,407)
Under (over) provision in respect of prior years plus adjustments	121	1
Income tax expense reported in the income statement	10,485	9,623
<b>Consolidated statement of other comprehensive income</b>		
Deferred tax related to items recognised and charged in OCI during the year:		
Net loss / (gain) on revaluation of cash flow hedges	(182)	321
<b>Tax expense reconciliation</b>		
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense as follows:		
Income tax expense calculated at 30% of operating profit	10,295	9,592
Other (entertainment etc)	31	21
Non-deductible expenses (goodwill / share option cost)	38	9
Amounts under / (over) provided in prior years	121	1
Income tax expense reported in the income statement	10,485	9,623

## D OPERATING SEGMENT REPORTING

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

- Kangaroo Island SeaLink ("SA"), which offers ferry services, tours in South Australia, packaged holidays, retail travel services, accommodation facilities at Vivonne Bay and accommodated cruising on the Murray River;
- Captain Cook Cruises ("CCC") which operates tourist cruises, lunch, dinner and charter cruises and ferry passenger services on Sydney Harbour and in Perth;
- SeaLink Queensland ("QLD") which includes ferry and barging operations throughout Queensland and manages the operations of SeaLink Northern Territory. This unit provides ferry passenger services as well as offering packaged holidays; and
- 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 and funding 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.

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

## D OPERATING SEGMENT REPORTING – CONTINUED

YEAR ENDED 30 JUNE 2017	SA \$'000	CCC \$'000	QLD \$'000	CORPORATE \$'000	ELIMINATIONS \$'000	CONSOLIDATED \$'000
Internal revenue	3,650	–	980	2,453	(7,083)	–
External Revenue	67,496	51,052	82,877	(61)	–	201,364

### RESULTS

Capital expenditure	2,419	3,390	720	–	–	6,529
Amortisation of customer contracts	–	156	1,404	–	–	1,560
Depreciation	2,364	2,229	5,746	6	–	10,345
Segment profit before interest and allocations – continuing operations	17,777	3,728	22,027	(6,019)	–	37,513
Corporate allocations	(3,120)	(1,091)	(1,808)	6,019	–	–
Segment profit before interest and tax – continuing operations	14,657	2,637	20,219	–	–	37,513

Interest income 43

Interest cost and finance charges (3,239)

**Segment Profit Before Tax – Continuing Operations 34,317**

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

YEAR ENDED 30 JUNE 2016	SA \$'000	CCC \$'000	QLD \$'000	CORPORATE \$'000	ELIMINATIONS \$'000	CONSOLIDATED \$'000
Internal revenue	3,550	–	980	2,089	(6,619)	–
External Revenue	65,114	37,962	74,293	(113)	–	177,256

### RESULTS

Capital expenditure	1,550	2,139	3,166	–	–	6,855
Amortisation of customer contracts	–	26	939	–	–	965
Depreciation	2,076	1,839	3,917	6	–	7,838
Segment profit before interest and allocations – continuing operations	15,644	2,252	22,521	(6,179)	–	34,238
Corporate allocations	(2,698)	(927)	(2,554)	6,179	–	–
Segment profit before interest and tax – continuing operations	12,946	1,325	19,967	–	–	34,238

Interest income 203

Interest cost and finance charges (2,470)

**Segment Profit Before Tax – Continuing Operations 31,972**

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

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

	SA	CCC	QLD	CORPORATE	ELIMINATIONS	CONSOLIDATED
AT 30 JUNE 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating assets	43,710	43,787	148,064	8	–	235,569
Operating liabilities	71,317	6,552	7,751	–	–	85,620
<b>AT 30 JUNE 2016</b>						
Operating assets	38,280	49,841	159,779	8	–	247,908
Operating liabilities	76,790	6,852	12,226	–	–	95,868
<b>RECONCILIATION OF ASSETS AND LIABILITIES</b>				<b>CONSOLIDATED 2017</b>		<b>CONSOLIDATED 2016</b>
				\$'000		\$'000
Segment operating assets				235,569		247,908
Deferred tax assets				3,894		4,693
<b>Group Total Assets</b>				<b>239,463</b>		<b>252,601</b>
Segment operating liabilities				85,620		95,868
Current tax liabilities				2,020		14,264
Deferred tax liabilities				4,140		5,514
<b>Group Total Liabilities</b>				<b>91,780</b>		<b>115,646</b>

## 2 STATEMENT OF FINANCIAL POSITION

	2017	2016
	\$'000	\$'000
<b>A CASH AND CASH EQUIVALENTS</b>		
<b>(a) RECONCILIATION OF CASH</b>		
For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following:		
Cash	2,295	1,796
Cash on deposit	628	3,412
<b>Total Cash and Cash Equivalents</b>	<b>2,923</b>	<b>5,208</b>
<b>(b) RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Profit for the year after income tax	23,832	22,349
<b>Non-cash Items</b>		
Depreciation and amortisation of non-current assets	11,905	8,803
Deferred income	(172)	(172)
Loss / (Profit) on disposal of non-current assets	(10)	(5)
Share option cost	125	32
<b>Changes in net assets and liabilities</b>		
Tax balances increase / (decrease)	(12,818)	1,466
Current trade receivables decrease / (increase)	4,939	(939)
Current inventories (increase) / decrease	(249)	(237)
Other current assets decrease / (increase)	(148)	(466)
Current trade and other creditors increase / (decrease)	(1,165)	(562)
Employee entitlements increase / (decrease)	(547)	1,825
<b>Net Cash Provided by Operating Activities</b>	<b>25,692</b>	<b>32,094</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

	2017 \$'000	2016 \$'000
<b>B TRADE AND OTHER RECEIVABLES – CURRENT</b>		
Trade receivables	10,080	14,679
Other	254	324
Allowance for doubtful debts	(24)	(52)
<b>Total Trade and Other Receivables</b>	<b>10,310</b>	<b>14,951</b>

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

	INDIVIDUALLY IMPAIRED \$'000	INDIVIDUALLY IMPAIRED \$'000
<b>ALLOWANCE FOR DOUBTFUL DEBTS</b>		
Opening Balance	(52)	(6)
Charge for the Year	–	(46)
Utilised	28	–
<b>Closing Balance</b>	<b>(24)</b>	<b>(52)</b>

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
	<b>TOTAL</b>	<b>0–30 DAYS</b>	<b>31–60 DAYS</b>	<b>61–90 DAYS</b>	<b>OVER 90 DAYS</b>
<b>2017 – CONSOLIDATED</b>	10,080	7,261	1,611	1,061	123
<b>2016 – CONSOLIDATED</b>	14,679	12,589	1,616	250	172

Receipts of \$911,000 in relation to 61-90 days debtors were received during July 2017. All other debtors are not past due and not impaired.

	2017 \$'000	2016 \$'000
<b>C INVENTORIES</b>		
Fuel (at cost)	325	327
Goods held for resale (at cost)	513	580
Spare parts	2,565	2,247
<b>Total Current Inventories</b>	<b>3,403</b>	<b>3,154</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

	NOTE	2017 \$'000	2016 \$'000
<b>D PROPERTY, PLANT AND EQUIPMENT</b>			
<b>LAND AND BUILDINGS</b>			
<b>Cost</b>			
Opening balance		20,170	16,060
Additions		29	47
Transfers		57	–
Acquired through business combinations	7A	–	4,063
Disposals		(1)	–
Closing balance		20,255	20,170
<b>Accumulated depreciation</b>			
Opening balance		2,531	2,039
Disposals		–	–
Transfers		7	–
Depreciation for the year	1B (b)	567	492
Closing balance		3,105	2,531
<b>Total Land and Buildings, net</b>		<b>17,150</b>	<b>17,639</b>
<b>PLANT AND EQUIPMENT</b>			
<b>Cost</b>			
Opening balance		20,438	12,215
Transfers		258	540
Transfer from capital works-in-progress		–	504
Acquired through business combinations	7A	–	6,222
Additions		1,088	1,411
Disposals		(1,095)	(454)
Closing balance		20,689	20,438
<b>Accumulated depreciation</b>			
Opening balance		7,331	6,069
Transfers		106	387
Depreciation for the year	1B (b)	1,527	1,308
Disposals		(813)	(433)
Closing balance		8,151	7,331
<b>Total Plant and Equipment, net</b>		<b>12,538</b>	<b>13,107</b>
<b>PLANT AND EQUIPMENT UNDER LEASE</b>			
<b>Cost</b>			
Opening balance		750	884
Additions		1,984	406
Transfers		(365)	(540)
Disposals		(79)	–
Closing balance		2,290	750
<b>Accumulated depreciation</b>			
Opening balance		140	459
Depreciation for the year	1B (b)	222	68
Transfers		(122)	(387)
Disposals		(25)	–
Closing balance		215	140
<b>Total Leased Plant and Equipment, net</b>		<b>2,075</b>	<b>610</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

	NOTE	2017 \$'000	2016 \$'000
<b>FERRIES</b>			
<b>Cost</b>			
Opening balance		168,089	71,553
Additions		675	3,411
Acquired through business combinations	7A	–	93,125
Transfers from capital works-in-progress		4,333	–
Disposals		(45)	–
Closing balance		173,052	168,089
<b>Accumulated depreciation</b>			
Opening balance		25,988	20,018
Depreciation for the year	1B (b)	8,029	5,970
Transfers		14	–
Disposals		(3)	–
Closing balance		34,028	25,988
<b>Total Ferries, net</b>		<b>139,024</b>	<b>142,101</b>
<b>CAPITAL WORKS-IN-PROGRESS</b>			
Opening balance		1,580	504
Additions		2,753	1,580
Transfers to ferry / buildings		(4,333)	(504)
Closing balance – represented by pontoon / ferries		–	1,580
<b>Total Property, Plant and Equipment, net</b>		<b>170,787</b>	<b>175,037</b>

At 30 June 2017, there were no capital works-in-progress. At 30 June 2016, there was one new vessel build in progress for use in Darwin. The vessel replaced the *MV James Grant* which was relocated to Gladstone on a long term contract. Refer also to Note 6A for capital commitments.

	2017 \$'000	2016 \$'000
<b>E INTANGIBLE ASSETS</b>		
<b>Goodwill – at cost</b>		
<b>Cost</b>		
Opening balance	40,429	6,758
Additions thorough business combination	–	33,671
Closing balance	40,429	40,429
<b>Accumulated Impairment</b>		
Opening and closing balance	(129)	(129)
<b>Total Goodwill</b>	<b>40,300</b>	<b>40,300</b>
<b>Customer contracts</b>		
Opening balance	7,448	8,413
<b>Closing Balance – at cost</b>	<b>7,448</b>	<b>8,413</b>
Less – amortisation during the period	(1,560)	(965)
Total customer contracts	5,888	7,448
<b>Total Intangible Assets, net</b>	<b>46,188</b>	<b>47,748</b>

Goodwill acquired through business acquisitions has been allocated to KI Odysseys (\$209,000), SeaLink Queensland (\$6,420,392), Australian Holiday Centre Sydney (\$128,520), Captain Cook Cruises WA (\$3,590,174) and the Transit Systems Marine business (\$30,081,028) 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. Australian Holiday Centre has been fully provided for in previous financial years.

The majority of goodwill associated with the Transit Systems marine business relates to the North Stradbroke Island ferry service, none of which is deductible for income tax purposes. The Group performed its annual impairment test at 30 June 2017.

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 a 3% growth rates for a five-year period.

For all CGU's, an EBIT multiple of between 6 and 7 times year 5 earnings has been used to determine the terminal value based on senior management's expectations of market price for these types of businesses.

A pre-tax discount rate of 11.0% (2016:10.4%) 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 significant expected engine rebuilds and refurbishments.
- 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 online sales expected.
- Passenger revenue for CCC WA – An increase of 2% in traffic as well as a 2% pricing increase based on increased tourism flow and growth from Elizabeth Quay.

- Revenue for the Transit Marine business – An increase in revenue of 3% to reflect small traffic growth as well as a 2% pricing increase based on increased tourism flow to Stradbroke Island, CPI increases built into fixed contracts and growth in vessel charter rates.
- No change to the current level of depreciation has been assumed for all CGU's.

Management have assessed that changes to the key assumptions in the model, unless there was a large unforeseeable event, would not result in an impairment in goodwill for any of the CGU's.

### CUSTOMER CONTRACTS

Customer contracts of \$8.4m 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 and Perth. Contracts are amortised over their estimated life based on a combination of the length of customer contract and the likelihood of renewal. The amortisation period ranges between 5 and 7 years.

During the period, the Company recorded an amortisation of \$1,560,000 associated with customer contracts with an associated reduction in the Deferred Tax Liability of \$468,000.

	2017 \$'000	2016 \$'000
<b>F TRADE AND OTHER PAYABLES</b>		
<b>CURRENT (ALL UNSECURED)</b>		
Trade creditors (i)	4,337	4,940
Sundry payables and accruals	4,257	4,819
<b>Total Current Trade and Other Payables</b>	<b>8,594</b>	<b>9,759</b>

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

	2017 \$'000	2016 \$'000
<b>G PROVISIONS</b>		
<b>CURRENT</b>		
<b>Employee Entitlements</b>	<b>7,950</b>	<b>8,525</b>
<b>NON-CURRENT</b>		
<b>Employee Entitlements</b>	<b>1,017</b>	<b>989</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

	2017 \$'000	2016 \$'000
<b>H UNEARNED REVENUE</b>		
<b>CURRENT</b>		
Deferred income – Government grant	172	172
Prepaid travel (a)	5,315	4,828
<b>Total Unearned Revenue</b>	<b>5,487</b>	<b>5,000</b>
<b>NON-CURRENT</b>		
Deferred income – Government grant	977	1,149
<b>Total Non-Current Payables</b>	<b>977</b>	<b>1,149</b>

(a) 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 travel date. 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 2017 (2016: 1 July 2016).

## Government Grants

There were no grants received during the year. All grants are released to income equally over the expected useful life of the asset. Previous grants released to income totalled \$171,639 (2016:\$171,639).

	NOTE	2017 \$'000	2016 \$'000
<b>I INTEREST BEARING LOANS AND BORROWINGS</b>			
<b>CURRENT</b>			
Secured:			
Bank and other loans (i)		–	974
Lease liabilities (ii)	6A	3,060	1,890
<b>Total Current Interest Bearing Liabilities</b>		<b>3,060</b>	<b>2,864</b>
<b>NON-CURRENT</b>			
Secured:			
Bank and other loans (i)		54,700	62,500
Lease liabilities (ii)	6A	3,372	2,733
<b>Total Non-Current Interest Bearing Liabilities</b>		<b>58,072</b>	<b>65,233</b>

(i) Security, terms and conditions - Loans and Overdraft

First registered mortgage over property situated at Penneshaw, Kangaroo Island SA, Neutral Bay Marina NSW and Russell Island Qld. 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, except for the CCC WA vessels. Various guarantee facilities have been provided as surety on a range of lease contracts. Bank loans have been drawn down under an interchangeable bill facility with a limit of \$84.0m with ANZ which matures 6 November 2018. The current facility limit will reduce by \$5m by June 2018. This limit is reviewed annually. As part of the interchangeable facility with ANZ, \$7m has been allocated for hire purchase and lease facilities.

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 \$94,605,008 (2016: \$101,461,326) were available to the consolidated entity at the end of the financial year. As at that date, \$62,569,349 (2016: \$83,131,409) of these facilities were in use.

Interest bearing loans and borrowings have a fair value of \$61,129,902 (2016: \$68,075,000) and a carrying value of \$61,147,799 (2016:\$68,097,000).

During the year, interest bearing borrowings of \$5,991,000 were repaid from funds raised through cashflow from operations. No drawdowns were made.



# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT AND LOSS	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>J DEFERRED TAX</b>				
Deferred income tax at 30 June relates to the following:				
<b>CONSOLIDATED</b>				
<b>Deferred tax assets</b>				
Provision for doubtful debts	7	16	(9)	14
Government grants	345	396	(51)	(51)
Accruals	10	41	(23)	(93)
Capital expense timing differences	417	611	(194)	(195)
Revaluation of cash flow hedge (interest rate swap)	139	321	–	–
Asset timing depreciation differences	286	454	–	168
Employee entitlements	2,690	2,854	(164)	547
<b>Total Deferred Tax Assets</b>	<b>3,894</b>	<b>4,693</b>		
<b>Deferred tax liabilities</b>				
Accelerated depreciation for tax purposes	2,259	1,214	(701)	(230)
Receivables	–	1,953	1,945	6,000
Customer contracts	1,766	2,234	468	290
Consumables	115	113	(2)	(43)
<b>Total Deferred Tax Liabilities</b>	<b>4,140</b>	<b>5,514</b>		
<b>Deferred Income Tax Expense</b>			<b>1,269</b>	<b>6,407</b>

## K OPERATING LEASE

The Group had entered an arrangement in Gladstone where certain vessels were 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 were two vessels under this arrangement and all contracts were finalised by 30 June 2017. (2016: \$1,279,000)

	NOTE	2017 \$'000	2016 \$'000
<b>L OTHER FINANCIAL LIABILITIES</b>			
Derivative designated as hedging instrument			
<b>CURRENT</b>			
	4B		
<b>Interest Rate Swap</b>		<b>123</b>	<b>230</b>
<b>NON-CURRENT</b>			
	4B		
<b>Interest Rate Swap</b>		<b>340</b>	<b>840</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

## 3 CAPITAL

### A 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.

No changes were made in the objectives, policies or processes for managing capital during the year.

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 a gearing ratio at less than 60%. As at 30 June 2017, the gearing ratio was 31% (2016: 33%).

	CONTRIBUTED EQUITY		NO. OF SHARES ON ISSUE	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>B EQUITY</b>				
<b>ISSUED AND FULLY PAID ORDINARY SHARES (ALL ISSUED SHARES FULLY PAID)</b>				
Opening balance	95,557	33,904	101,154	76,815
Conversion of Options (refer Note 7D)	–	1,084	–	781
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 shares as purchase consideration in November 2015 (refer Note 7A)	–	10,848	–	3,200
Deferred tax associated with share issue expenses	–	506	–	–
<b>Total</b>	<b>–</b>	<b>95,557</b>	<b>101,154</b>	<b>101,154</b>

During the prior year, 781,250 share options were converted to ordinary shares at an average price of \$1.40 raising gross proceeds of \$1,090,625. To fund the Transit Systems Marine business, 20,357,930 ordinary shares were issued at a price of \$2.50 raising gross proceeds of \$50,894,825. These shares were raised through a Share Placement and through a Share Purchase Plan to existing shareholders. Additionally, the Company issued 3,200,000 shares at a fair value of \$3.39 as part of the consideration for the Transit Systems Marine business. The Company expended a gross \$1,686,100 less \$505,830 of associated deferred tax asset to raise these funds which was allocated to contributed equity.

	2017 \$'000	2016 \$'000
<b>C RESERVES</b>		
<b>SHARE OPTION RESERVE</b>		
Opening Balance	519	487
Share option expense	125	32
Closing balance	644	519
<i>The Share Option reserve is used to record the value of options and performance rights issued to directors and senior employees as part of their remuneration (refer Note 7D).</i>		
<b>CASH FLOW HEDGE RESERVE</b>		
Opening Balance	(749)	–
Revaluation of interest rate hedge (refer Note 4B)	425	(749)
Closing balance	(324)	(749)
<b>Total reserves</b>	<b>320</b>	<b>(230)</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

	2017 \$'000	2016 \$'000
<b>D DIVIDENDS</b>		
<b>Dividends on ordinary shares declared and paid during the period:</b>		
Interim dividend for 2017: 6.0 cents (2016: 4.5 cents)	6,067	4,551
Final dividend for 2016: 7.5 cents (2015: 4.0 cents)	7,587	3,073
<b>Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 June):</b>		
Final dividend for 2017: 8.0 cents (2016: 7.5 cents)	8,092	7,587
<b>FRANKING CREDIT BALANCE</b>		
<b>The amount of franking credits available for the subsequent financial year are:</b>		
Franking account balance as at the end of the financial year	25,009	10,745
Franking credits that will arise from the payment of income tax as at the end of the financial year.	2,020	14,264
<b>Total Franking Credit Balance</b>	<b>27,029</b>	<b>25,009</b>

	2017 \$'000	2016 \$'000
<b>E EARNINGS PER SHARE</b>		
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-		
Net profit attributable to ordinary equity holders of the parent and for basic earnings and adjusted for the effect of dilution	23,832	22,349
	'000	'000
Weighted average number of ordinary shares for basic earnings per share	101,154	94,524
Effect of dilution from share options and performance rights	200	839
Weighted average number of ordinary shares adjusted for dilution	101,354	95,363
There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and date of these financial statements.		
<b>EARNINGS PER SHARE</b>		
Basic, profit for the year attributable to ordinary equity holders of the parent	\$0.236	\$0.236
Diluted, profit for the year attributable to ordinary equity holders of the parent	\$0.235	\$0.234

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

## 4 RISK

### A 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 and 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 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 comprises of 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.

### 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 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, uses cash advance facilities which are variable interest rate based, uses interest rate hedges or enters into longer term fixed rate loans.

At 30 June 2017, 55% of the Group's interest bearing borrowings are effectively at a fixed rate of interest (2016: 52%).

The sensitivity analyses in the following sections relate to the position as at 30 June 2017 and 30 June 2016. 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 2017. The table below sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE		WITHIN 1 YEAR		1 TO 5 YEARS		TOTAL	
	2017 %	2016 %	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2016 \$'000	
<b>FINANCIAL ASSETS</b>								
<b>Floating Rate</b>								
Cash Assets	0.4	1.0	2,923	5,208	–	–	2,923	5,208
<b>FINANCIAL LIABILITIES</b>								
<b>Floating Rate</b>								
Overdraft	3.5	3.5	–	–	–	–	–	–
Cash advance	3.54	3.54	–	–	24,700	32,500	24,700	32,500
<b>Fixed Rate</b>								
Cash advance	3.93	3.93	–	–	30,000	30,000	30,000	30,000
Leases	4.47	4.60	3,060	1,890	3,372	2,733	6,432	4,623
<b>Net Exposure</b>			<b>(137)</b>	<b>3,318</b>	<b>(58,072)</b>	<b>(65,233)</b>	<b>(58,209)</b>	<b>(61,915)</b>

## 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 30 JUNE 2017 \$'000	PROFIT AFFECT CONSOLIDATED 30 JUNE 2016 \$'000	CONSOLIDATED 30 JUNE 2017 \$'000	EQUITY AFFECT CONSOLIDATED 30 JUNE 2016 \$'000
<b>JUDGEMENT OF REASONABLY POSSIBLE MOVEMENTS</b>				
Movement of 0.5% increase in rates	(86)	(114)	429	609
Movement of a 1% decrease in rates	173	228	(900)	(1,239)

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

## COMMODITY RISK – FUEL PRICE

The Group did not have any fuel forward derivatives to hedge changes in the underlying prices of fuel at 30 June 2017.

## 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.

There were no exposures that comprised more than 30% of trade receivables. Collection of this debt is not considered doubtful.

## 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 2B. 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 the Group's major bank.

## 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.

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

The table below sets out the maturity profile of the Group's financial liabilities based on contracted undiscounted payments including interest.

Estimated variable interest expense is based upon the rate applying as at 30 June 2017.

YEAR ENDED 30 JUNE 2017	ON DEMAND \$'000	0-3 MONTHS \$'000	3-12 MONTHS \$'000	1-5 YEARS \$'000	TOTAL \$'000
Interest-bearing loans and borrowings	–	–	–	69,254	69,254
Trade and other payables	–	8,593	–	–	8,593
Other financial liabilities	–	–	–	375	375
Financial guarantee contracts	1,409	–	–	–	1,409
Leases/hire purchase	–	765	2,295	3,843	6,903
<b>Total</b>	<b>1,409</b>	<b>9,358</b>	<b>2,295</b>	<b>73,472</b>	<b>86,534</b>
<b>YEAR ENDED 30 JUNE 2016</b>					
Interest-bearing loans and borrowings	–	–	–	74,244	74,244
Trade and other payables	–	9,757	–	–	9,757
Other financial liabilities	–	59	176	780	1,014
Financial guarantee contracts	15,978	–	–	–	15,978
Leases/hire purchase	–	544	1,376	2,954	4,874
<b>Total</b>	<b>15,978</b>	<b>10,360</b>	<b>1,552</b>	<b>77,978</b>	<b>105,867</b>

## B FINANCIAL INSTRUMENTS

### CASH FLOW HEDGE FOR INTEREST RATE RISK

During the period, the Group entered into a 5 year fixed term interest rate swap effective from 1 December 2015 at a rate of 2.53% before interest margin and line fees. 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 fair value adjustment required was assessed as material and as such, the gross difference of \$463,380 was recorded as a financial liability with the associated tax effect forming part of Deferred Tax Asset. The net difference of \$425,000 is shown through the statement of other comprehensive income.

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 actively traded and quoted through the Australian banking system.

## 5 ACCOUNTING POLICIES

### A BASIS OF PREPARATION

The consolidated financial statements for the year ended 30 June 2017 have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is a general purpose financial report, has also been prepared on a historical cost basis except for derivatives which use fair value, and presented in Australian dollars. The Group is a for-profit entity for the purposes of preparing the financial report.

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

### B SIGNIFICANT ACCOUNTING POLICIES

#### (a) PRINCIPLES OF CONSOLIDATION

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

## (b) FINANCIAL LIABILITIES

Interest rate derivatives are measured at fair value with changes in fair value recognised in other comprehensive income.

## (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 arrangements, 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 arrangements, 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 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 Profit and Loss.

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 Profit and Loss on a straight line basis over the lease term.

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

## (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 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 circumstances 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 high quality corporate 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 value less costs of disposal 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 Profit and Loss.

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.

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.

There were no changes in the carrying value of goodwill allocated to the cash generating units nor any impairment of goodwill during the year.

## (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 Profit and Loss as incurred.

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



Vessel depreciation is reviewed annually to take into account further capitalisation of costs, vessel usage or changed market conditions.

Estimated useful life is as follows:

	LIFE
Buildings	14 – 40 years
Plant and equipment	3 – 20 years
Plant and equipment under lease	Term of the lease
Ferry – at cost	5 – 25 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.

### Operating leases

Rental income arising from operating leases on occupied properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Income arising from operating leases of vessels is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

## (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, 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 14 - 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.

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

## (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 Profit and Loss 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 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.

## (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 Profit and Loss when the liabilities are derecognised.

## (t) INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives on intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite lives are not amortised, but are tested for impairment annually, either individually or at the cash generating level.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

## (u) 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.

## (v) FAIR VALUES

The Group measures the interest rate swap 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.

## C CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 2016. For the year ended

30 June 2017, the Group adopted AASB 2015-2 and this had no material impact on the Group's Financial Statements.

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

## D ACCOUNTING STANDARDS 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 2017 are outlined in the table as follows:

REF.	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 15	Revenue from Contracts with Customers	The core principle of AASB 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 AASB 15. Based on an initial impact assessment, the new standard is not expected to significantly impact revenue recognition. A preliminary assessment of the impact of AASB 15 and AASB 16 has been undertaken including a review of all material contracts and revenue streams and related performance obligations. A more detailed analysis will now be performed for those travel-related transactions that include components undertaken with third party service providers, which under the requirements of the new standards, may be recorded on a net income statement basis rather than gross revenue and costs. None of the amendments are expected to have a material impact on the reported income or net assets of the Group.	1 January 2018	1 July 2018
AASB 9	Financial Instruments	AASB 9 includes a logical model for classification and measurement, a 1 January 2018 1 July 2018 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. The changes will not have a material impact on the Group.	1 January 2018	1 July 2018
AASB 2016-2	Cashflow Statement	The amendments to AASB 107 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The changes will not have a material impact on the Group.	1 January 2017	1 July 2017

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

REF.	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 2017-2	Disclosure of Interests	This Standard clarifies the scope of AASB 12 Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB5 Non-current Assets Held for Sale and Discontinued Operations. The changes will not have a material impact on the Group.	1 January 2017	1 July 2017
AASB 2016-5	Share Based Payments	This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) Share-based payment transactions with a net settlement feature for withholding tax obligations; (c) A modification to the terms and conditions of a share based payment that changes the classification of the transaction from cash-settled to equity-settled. The changes will not have a material impact on the Group.	1 January 2018	1 July 2018
AASB 16	Leases	<p>The key features of AASB 16 are as follows:</p> <p><b>Lessee accounting</b></p> <ul style="list-style-type: none"> <li>Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</li> <li>A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.</li> <li>Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.</li> <li>AASB 16 contains disclosure requirements for lessees.</li> </ul> <p><b>Lessor accounting</b></p> <ul style="list-style-type: none"> <li>AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</li> <li>AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</li> </ul>	1 January 2019	1 July 2019

## E FAIR VALUE MEASUREMENT

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	2017 CARRYING AMOUNT \$'000	2017 NET FAIR VALUE \$'000	2016 CARRYING AMOUNT \$'000	2016 NET FAIR VALUE \$'000
<b>FINANCIAL ASSETS</b>				
Cash	2,923	2,923	5,208	5,208
Trade and other receivables	10,310	10,310	14,951	14,951
<b>FINANCIAL LIABILITIES</b>				
Bill facilities	54,700	54,700	62,500	62,500
Other loans	–	–	974	974
Interest rate swap	463	463	1,070	1,070
Lease and hire purchase	6,432	6,448	4,623	4,601
Trade and sundry creditors	8,594	8,594	9,759	9,759

The fair value of the financial assets and liabilities 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.

Management assessed that cash and short-term deposits, trade receivables, 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.

## 6 UNRECOGNISED ITEMS

	30 JUNE 2017 \$'000	30 JUNE 2016 \$'000
<b>A COMMITMENTS</b>		
<b>(a) CAPITAL COMMITMENTS</b>		
Vessels and buses	–	1,146
<b>(b) COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES</b>		
Not later than one year	2,357	2,644
Later than one year but not later than five years	6,096	6,266
Later than five years	2,217	3,901
<b>Total</b>	<b>10,670</b>	<b>12,811</b>
<b>(c) FINANCE LEASE COMMITMENTS:</b>		
Not later than one year	3,060	1,890
Later than one year but not later than five years	3,843	2,984
Minimum lease payments	6,903	4,874
Future finance charges	(471)	(251)
<b>Net Finance Lease Liability</b>	<b>6,432</b>	<b>4,623</b>
Included in Interest Bearing Loans and borrowings (Note 21) as:		
Current liability	3,060	1,890
Non-current liability	3,372	2,733
<b>Total</b>	<b>6,432</b>	<b>4,623</b>
<b>(d) OPERATING LEASE COMMITMENTS – SEALINK AS LESSOR</b>		
The Group has a number of vessels on lease arrangements with several marine operators and a property sub-lease for a portion of its tenancy at the Townsville terminal.		
Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows -		
Within one year	2,749	87
After one year but not more than five years	1,440	152
<b>Total</b>	<b>4,189</b>	<b>239</b>

## B CONTINGENCIES

There were no contingencies of material note as at 30 June 2017 (2016: Nil).

## C EVENTS REPORTED AFTER BALANCE DATE

A fully franked dividend of \$8,092,328 representing 8.0 cents per share based on the current number of ordinary shares was declared by the Directors on 15 August 2017 to be paid 16 October 2017. 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.

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

## 7 OTHER

### A BUSINESS COMBINATIONS

#### Acquisition of Transit Systems Marine (“TSM”)

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.

The TSM business 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.

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 consolidated financial statements include the results of TSM for the period from 7th November 2015 until 30th June, 2016.

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

FAIR VALUE RECOGNISED ON ACQUISITION  
\$’000

<b>ASSETS</b>	
Cash and cash equivalents	200
Trade and other receivables	9,801
Inventories	1,439
Prepayments	21
Property, plant and equipment	95,569
Customer contracts (Refer Note 2E)	7,619
Deferred tax asset	657
<b>Total Assets</b>	<b>115,306</b>
<b>LIABILITIES</b>	
Trade and other payables	3,651
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>Total Liabilities</b>	<b>30,297</b>
Total identifiable assets at fair value	85,009
Goodwill arising on acquisition	30,081
<b>Purchase Consideration Transferred</b>	<b>115,090</b>
This consisted of -	
Shares issued at fair consideration	10,848
Net Cash paid after vendor refund	104,242
<b>Total Purchase Consideration</b>	<b>115,090</b>

There was no contingent consideration.

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.

### Goodwill

The majority of goodwill relates to the North Stradbroke Island ferry service, none of which is expected to be deductible for income tax purposes.

From the date of acquisition, Transit Systems Marine has contributed \$58.4m to revenue and \$19.5m to the earnings before 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 \$93.0m and profit before tax from continuing operations for the Group would have been \$30.2m.

The profit before 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.

\$'000

### ADDITIONAL CASH FLOWS ON ACQUISITION:

Transaction costs of the acquisition (included in cash flows from Operations)	(976)
Transaction costs associated with issuance of shares	(1,679)
<b>Total Additional Cash Flows on Acquisition</b>	<b>(2,655)</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 \$976,000 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.

### Acquisition of Captain Cook Cruises WA

On 29th April 2016, the Group acquired 100% of the Captain Cook Cruises WA business formerly privately owned. The acquisition involved the purchase of shares in two entities and was funded from existing debt facilities. The business ("CCC WA") consists of the following -

- Tourism cruises on the Swan River,
- Ferry services to South Perth under a government contract, and
- Bells Function Centre

The acquisition has expanded SeaLink's geographic base and provided further exposure to an expected growing tourism market. It has been accounted for using the acquisition method. The consolidated financial statements include the results of CCC WA for the period from acquisition date until 30th June, 2016.

The fair values of the identifiable assets and liabilities of CCC WA as at the date of acquisition were:

FAIR VALUE RECOGNISED ON ACQUISITION

\$'000

### ASSETS

Cash and cash equivalents	26
Trade and other receivables	584
Inventories	176
Prepayments	79
Property, plant and equipment	7,841
Customer contracts (Refer Note 2E)	794
Deferred tax asset	98
<b>Total Assets</b>	<b>9,598</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

## LIABILITIES

Trade and other payables	1,117
Current tax liabilities	231
Provisions	326
Deferred tax liabilities	258
<b>Total Liabilities</b>	<b>1,932</b>
Total identifiable assets at fair value	7,666
Goodwill arising on acquisition	3,590
<b>Purchase Consideration transferred</b>	<b>11,256</b>

The purchase consideration consisted entirely of a net cash outlay. There was no contingent consideration.

## ANALYSIS OF CASH FLOWS ON ACQUISITION:

Purchase Consideration transferred	11,256
Cash and cash equivalents	(26)
<b>Net Cash Outflow</b>	<b>11,230</b>

The fair value of vessels included in Property, Plant and Equipment is \$7.75m. These are based on internal valuations for ferries and adopting tax written down values of plant and equipment. The Deferred Tax Asset mainly comprises the tax effect on employee provisions whilst the Deferred Tax Liability relates to Customer Contracts.

Transaction costs of \$64,000 have been expensed and are disclosed as a separate line item in the profit and loss.

### Goodwill

The majority of goodwill on acquisition relates to the tourism cruising part of the business, none of which is expected to be deductible for income tax purposes.

## B CORPORATE INFORMATION

The consolidated financial statements of the SeaLink Travel Group Limited for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of Directors on 15 August 2017.

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 1D.

2017  
\$'000

2016  
\$'000

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

Current Assets	–	–
Non-current Assets	94,107	97,284
<b>Total Assets</b>	<b>94,107</b>	<b>97,284</b>
Current Liabilities	(3,657)	(480)
Non-current Liabilities	2,207	2,207
<b>Total Liabilities</b>	<b>(1,450)</b>	<b>1,727</b>
<b>Net Assets</b>	<b>95,557</b>	<b>95,557</b>
Contributed equity	95,557	95,557
Reserves	644	520
Retained profits	(644)	(520)
<b>Total Parent Equity</b>	<b>95,557</b>	<b>95,557</b>
Profit or loss of the parent entity	13,531	7,591
<b>Total Comprehensive Income of the Parent Entity</b>	<b>13,531</b>	<b>7,591</b>

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



2017  
\$'000

2016  
\$'000

## D SHARE OPTION PLANS

### (a) RECOGNISED SHARE-BASED PAYMENT EXPENSES;

Expense arising from options issued in 2015	7	18
Expense arising from performance rights issued in 2016	15	14
Expense arising from options issued in 2017	91	–
Expense arising from performance rights issued in 2017	14	–
<b>Total Expense</b>	<b>127</b>	<b>32</b>

### (b) TYPES OF SHARE OPTION PLANS

#### Employee Share Option Plan “ESOP”

Share options are generally 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.

In November 2014, 200,000 share options were granted to an employee under the SeaLink Employee Option Plan. The exercise price of the options was \$2.50 and the contractual life 5 years. The options vest after a period of 1 year as long as the senior employee is still employed on such date.

The fair value of the share option granted was valued at \$0.176 per share being \$35,200, the cost being expensed over the vesting period.

In October 2016, 100,000 share options were granted to the Chair

under the SeaLink Employee Option Plan. There were no performance related conditions attaching to the options. The options vest after a period of 3 years as long as the Chair remains in the role as Non-Executive Director.

The fair value of the share option granted was valued at \$4.11 per share being \$411,000, the cost being expensed over the vesting period.

#### Employee Performance Rights

Performance rights are generally 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 performance rights or where the performance hurdle is not met, the performance rights lapse. Should all conditions be met, one ordinary share is issued for each performance right

at no consideration. The performance hurdle is measured against a minimum share price quoted on the ASX. This future price hurdle usually targets a 10% compound growth rate from the share price at the date of issue of the performance rights.

The amount recognised as an expense is only adjusted when performance rights do not vest due to non-market-related conditions.

During the year, 160,000 Performance Rights were issued to Mr J Ellison following approval by shareholders to the issue of these rights at the AGM.

An additional 45,000 Performance Rights were issued to senior executives.

The fair value of the performance rights granted is estimated at the date of grant using a custom binomial lattice pricing model, taking into account terms and conditions upon which the performance rights were granted.

Effective date issued	2016 Issue	2017 Issue*	2017 Issue
Number of Performance Rights issued	85,000	160,000	45,000
Minimum hurdle share price	\$ 3.20	n/a	\$ 5.94
Dividend yield	3.35%	2.69%	2.69%
Expected volatility (as per valuation)	27.6%	29.4%	29.4%
Risk free interest rate	3.35%	1.61%	1.61%
Expected life (years)	3.0	3.0	3.0
Valuation per performance right	\$ 0.618	\$ 4.11	\$1.72

\* Performance Rights issued to Mr J Ellison

The following tables illustrate the number and weighted average exercise price (“WAEP”) of and movements in all share options and performance rights during the year:

OPTIONS	2016	2016	2017	2017
	NUMBER	WAEP	NUMBER	WAEP
	'000	\$	'000	\$
Outstanding at the beginning of the year	200	1.67	981	1.62
Granted (under the Employee Share Option Plan)	100	nil	–	n/a
Forfeited	–	n/a	–	n/a
Exercised	–	n/a	(781)	1.40
<b>Outstanding at year end</b>	<b>300</b>	<b>1.67</b>	<b>200</b>	<b>2.50</b>

# FINANCIAL REPORT

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES – NOTES TO FINANCIAL STATEMENT FOR YEAR END 30 JUNE 2017

## THE OUTSTANDING BALANCE IS REPRESENTED BY

TYPE	OPTION CLASS	2017	2016
ESOP		200	200
Directors		100	–
		<b>300</b>	<b>200</b>

No ordinary shares were issued during the year as a result of conversion of share options (2016: 781,250).

	2017 NUMBER '000	2017 WAEP \$	2016 NUMBER '000	2016 WAEP \$
<b>PERFORMANCE RIGHTS</b>				
Outstanding at the beginning of the year	85	n/a	–	n/a
Granted (under the Employee Share Option Plan)	205	nil	85	nil
Forfeited	(10)	nil	–	
Exercised	–	n/a	–	n/a
<b>Outstanding at year end</b>	<b>280</b>	<b>nil</b>	<b>85</b>	<b>nil</b>

## E RELATED PARTY TRANSACTIONS

### (a) NAMES AND POSITIONS HELD OF KEY MANAGEMENT PERSONNEL IN OFFICE AT ANY TIME DURING THE FINANCIAL YEAR ARE

#### Directors

A McEvoy	Chairman – (Non-Executive)
J R Ellison	Managing Director and Chief Executive Officer
W T Spurr	Director – (Non-Executive) – Retired 25 October 2016
C Smerdon	Director – (Non-Executive)
T Dodd	Director – (Non-Executive)
A Staines	Director – (Non-Executive)
F Hele	Director – (Non-Executive) - Appointed 13 September, 2016

#### Other Key Management Personnel

D Gauci	General Manager, SeaLink South Australia
T Waller	Chief Financial Officer, Company Secretary – Retired 31 March 2017
A Muir	Chief Financial Officer, Company Secretary – Appointed 9 January 2017
A Haworth	General Manager, Captain Cook Cruises – New South Wales
P Victory	General Manager, SeaLink North Queensland and Northern Territory

### (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 \$44,840 from Vectra Corporation Ltd, a company associated with Mr C Smerdon (2016: \$60,331);

Purchases and services totalling \$Nil from Tourism and Allied, a company associated with Mr C Smerdon (2016: \$43,393);

Purchases and services totalling \$141,060 from Pacific Marine, a company associated with Mr T Dodd (2016: \$7,090);

Purchases and services totalling \$51,537 from Fairfax Media, a company associated with Mr A McEvoy (2016: \$22,571);

In addition to the above, the Company purchased a barge from Pacific Marine in February 2016 for \$1.3 million to be used for a longer term contract carting mineral sand from Stradbroke Island. Pacific Marine was chosen as the most appropriate supplier after an extensive tender process was undertaken. They were selected due to lowest price, availability and ability to provide a tailored solution. Mr Dodd played no role in the process which was negotiated and undertaken by management from both parties involved.

Services related to Tourism and Allied, which previously involved a premise rental, ceased in November 2015 when the Company shifted its coach maintenance facilities to Regency Park in Adelaide.

<b>(c) KEY MANAGEMENT PERSONNEL REMUNERATION</b>	2017 \$'000	2016 \$'000
Short-term	2,135	2,275
Post employment	177	161
Other long-term benefits – LSL	44	105
Termination Benefits	–	–
Share-based payment	105	8
<b>Total</b>	<b>2,461</b>	<b>2,549</b>

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.

## F RELATED BODIES CORPORATE

The following subsidiaries and trusts are incorporate in Australia and all 100% owned

Australia Inbound Pty Ltd	SeaLink Marina Pty Ltd
Avonward Pty Ltd	SeaLink Northern Territory Pty Ltd
Big Red Cat Pty Ltd	SeaLink Queensland Pty Ltd
BITS Assets Pty Ltd	SeaLink Vessels Pty Ltd
BITS Ferry Services Pty Ltd	STG Properties Pty Ltd
Captain Cook Cruises Pty Ltd	Stradbroke Assets Pty Ltd
Curtis Island Assets Pty Ltd	Stradbroke Ferries Pty Ltd
Curtis Island Services Pty Ltd	Sunferries Travel Pty Ltd
Kangaroo Island Adventure Tours Pty Ltd	The Living Classroom Pty Ltd
Kangaroo Island Odysseys Pty Ltd	The South Australian Travel Company Pty Ltd
Kangaroo Island SeaLink Pty Ltd	TravelLink Pty Ltd
Magnetic Island Cruise Corporation Pty Ltd	TravelLink Technology Pty Ltd
PDW Pty Ltd	TSA Ferry Group Pty Ltd
Sea Stradbroke Services Pty Ltd	Vivonne Bay Outdoor Education Centre Pty Ltd
SeaLink Ferries Pty Ltd	Vyscot Pty Ltd
SeaLink KI Ferries Pty Ltd	

# AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEALINK TRAVEL GROUP REPORT ON THE AUDIT OF THE FINANCIAL REPORT

### Opinion

We have audited the financial report of SeaLink Travel Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

### Goodwill impairment assessment

#### Why significant

The Group annually assesses the carrying value of the goodwill recorded in respect of the various business combinations as required by Australian Accounting Standard – AASB 136 *Impairment of assets*.

The Group prepared value in use calculations to determine the recoverable amount of the individual cash generating units to which the goodwill amounts have been allocated. This item was significant to the audit due to the judgment involved in this calculation and entails consideration of the following:

An estimate of future cash flows expected to be derived from the respective assets;

- Expectations about possible variations in the amount or timing of cash flows;
- An appropriate discount rate, to discount the calculated future cash flows to their present value; and
- Uncertainty associated with the achievement of forecast cash flows specific to the respective assets.

Refer to note 2E to the financial report for related disclosure.



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## How our audit addressed the key audit matter

In obtaining sufficient audit evidence, we:

- Agreed the FY18 projected cash flows to approved Board budgets;
- Assessed the value in use calculations and the growth assumptions for budgets included within each of the impairment models. In doing so, we considered the Group's achievement of recent historical cash flow forecasts;
- Involved our valuation specialists to assess the discount rate and other key assumptions in the impairment models;
- Compared the recoverable amount calculated within the value in use calculations to the carrying value recorded at 30 June 2017; and
- Assessed the market capitalisation to the net assets of SeaLink, noting that as at 30 June 2017 there was a \$265m surplus of SeaLink's market capitalisation over the net assets of \$147m.

## Carrying value of ferries

### Why significant

In accordance with Australian Accounting Standard – AASB 116 *Property, Plant and Equipment* and the Group's accounting policy, SeaLink carries owned ferries at cost less accumulated depreciation and any accumulated impairment losses.

This was a significant area of the audit due to the material value of vessels on the consolidated statement of financial position along with the judgment involved in assessing the residual values of the vessels.

Refer to note 2D to the financial report for related disclosure.

## How our audit addressed the key audit matter

In obtaining sufficient audit evidence, we:

- Analysed the performance of each ferry to determine whether any indications of impairment were present in accordance with Australian Accounting Standard – AASB 136 *Impairment of Assets*;
- Performed testing over depreciation for each vessel taking into account the expected residual value determined by the Group;
- Assessed the residual values of ferries through enquiries with the Group and consideration of the Group's assessment of market information for similar assets;
- Analysed the planned and actual utilisation of each vessel. We also assessed the contracts attached to the planned usage;
- Assessed third party valuations of Vessels. In doing so we assessed the independence, objectivity and competence of the experts used by the Group; and
- Analysed the utilisation of each vessel and enquired on the future contracts and the Group's plan for each vessel.

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

# AUDITOR'S REPORT



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

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our auditor's report.

## REPORT ON THE AUDIT OF THE REMUNERATION REPORT

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 53 to 60 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of SeaLink Travel Group Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

## 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 financial year ended 30 June 2017, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of SeaLink Travel Group Limited and the entities it controlled during the financial year.

Ernst & Young

Nigel Stevenson  
Partner  
15 August 2017

This Remuneration Report forms part of the Directors' Report and sets out the remuneration arrangements of SeaLink Travel Group Limited (Company) Directors and Executives for the financial year ended 30 June 2017.

It also details the remuneration strategy and financial results.

This information has been audited as required by Section 308 (3C) of the *Corporations Act 2001*.

Contents:

1. Remuneration Strategy
2. Remuneration Framework
3. Key Management Personnel (KMP)
4. Remuneration of KMP
5. Executive Contracts
6. Overview of Company Performance
7. Options, Shareholdings and Performance Rights of KMP
8. Remuneration Governance

## 1. REMUNERATION STRATEGY

SeaLink's remuneration strategy for remunerating and rewarding Executives ensures that:

- Remuneration is consistent with competitive market rates to attract and retain high calibre candidates;
- Parity exists for similar roles to maintain stability within the Executive group; and
- Executives are incentivised to drive and sustain long term growth and increase shareholder value.

## 2. REMUNERATION FRAMEWORK

The Remuneration Committee annually reviews and recommends to the Board for approval any adjustments to the remuneration framework and levels necessary to ensure:

- 1) Fixed Remuneration is market competitive;
- 2) Short Term Incentives are performance-based and reward achieving or exceeding strategic and operational goals of the Company and the Business Unit in the relevant financial year; and
- 3) Long Term Incentives are performance-based and drive performance and behaviours that address long term sustainability and growth of the Company, and optimise shareholder returns.

### TABLE 2.1

#### FIXED REMUNERATION

Fixed remuneration is comprised of a base salary and 9.5% superannuation.

Base salary is determined by market rates for roles comparable in scope, responsibility and geography, combined with individual capability and performance.

#### SHORT TERM INCENTIVES (STI)

STI are "at-risk" cash components paid to KMPs when agreed stretch targets have been met.

STI are approved by the Board on an annual basis.

STI are a percentage of base salary, usually between 10% and 50%.

STI are discretionary and do not form part of the employment contract.

To receive payment, an eligible employee must fulfil criteria such as remaining an employee at the time of payment.

At least 50% of each KMP STI is tied to financial performance of the Company and the relevant Business Unit in the relevant financial year.

#### LONG TERM INCENTIVES (LTI)

LTI are "at-risk" components offered to KMPs.

LTI are approved by the Board on an annual basis.

LTI are in the form of options or performance rights.

LTI are discretionary and do not form part of the employment contract.

LTI are forfeited if a KMP resigns before the option or performance right has vested.

# REMUNERATION REPORT

## 3. KEY MANAGEMENT PERSONNEL (KMP)

---

KMP are those Executives having the authority and responsibility for planning, directing and controlling major activities of the Company, directly or indirectly, including any Director (whether Executive or otherwise) of the Company. The term Executive includes the Managing Director and other Senior Executives of the Company.

From 1 July 2016 to 30 June 2017 the KMP were:

**TABLE 3.1**

---

### NON-EXECUTIVE DIRECTORS (NED'S)

A McEvoy	Chair	
W Spurr	Non-Executive Director	Retired 25 October 2016
T Dodd	Non-Executive Director	
C Smerdon	Non-Executive Director	
A Staines	Non-Executive Director	
F Hele	Non-Executive Director	Appointed 13 September 2016

### EXECUTIVE DIRECTOR

J Ellison	CEO and Managing Director
-----------	---------------------------

### OTHER KMP

A Muir	Chief Financial Officer	Appointed 9 January 2017
T Waller	Chief Financial Officer and Company Secretary	Resigned 31 March 2017
D Gauci	General Manager – SeaLink SA	
A Haworth	General Manager – Captain Cook Cruises, NSW	
P Victory	General Manager – SeaLink NQ and NT	

## 4. REMUNERATION OF KMP

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### DIRECTORS

The Board seeks to set aggregate and individual remuneration at levels that provide the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring an expense that is acceptable to shareholders.

Aggregate and individual fee levels and structure are reviewed annually against those paid to Non-Executive Director (NED) of listed companies with a similar market capitalisation.

The Company's constitution and the ASX Listing Rules specify that the NED fee pool shall be determined from time to time by shareholder vote at a General Meeting. At the Annual General Meeting (AGM) in October 2016, shareholders approved an increase in the NED aggregate fee pool to \$750,000. No increases are planned for the 2017/2018 Financial Year.

The remuneration of NED's consists of Directors' fees which are currently set as follows:

- The Chair receives an annual fee of \$134,000 p.a. plus statutory superannuation; and
- All other NED's receive \$67,000 p.a. plus statutory superannuation.

There are no additional fees for chairing or serving on a sub-committee of the Board. NED do not receive retirement benefits.

There is no requirement for Directors to hold shares in the Company. Other than the Chair, who received a Long-Term Incentive retention grant of options approved by shareholders at the October 2016 AGM, no other NED participated in incentive programs.



# REMUNERATION REPORT

## NED REMUNERATION

NED remuneration for the years ended 30 June 2016 and 30 June 2017 is detailed in Table 4.1 below:

**TABLE 4.1**

NON-EXECUTIVE DIRECTOR	YEAR	DIRECTOR FEE	SHORT TERM INCENTIVE	NON-MONETARY BENEFITS	OTHER	SUPER	LONG TERM BENEFIT LSL	PERFORM. RIGHTS	TOTAL
A McEvoy	2017	134,000	–	–	–	12,730	–	91,333	238,063
	2016	131,272	–	–	–	12,462	–	–	143,734
A Staines	2017	64,423	–	–	–	8,942	–	–	73,365
	2016	25,124	–	–	–	2,386	–	–	27,510
C Smerdon	2017	67,000	–	–	–	6,365	–	–	73,365
	2016	66,616	–	–	–	5,720	–	–	72,336
W Spurr*	2017	22,333	–	–	–	2,121	–	–	24,454
	2016	66,104	–	–	–	6,232	–	–	72,336
T Dodd	2017	67,000	–	–	–	6,365	–	–	73,365
	2016	66,104	–	–	–	6,232	–	–	72,336
F Hele**	2017	53,600	–	–	–	5,092	–	–	58,692
	2016	–	–	–	–	–	–	–	–
F Mann***	2017	–	–	–	–	–	–	–	–
	2016	23,575	–	–	–	–	–	–	23,575
L Hughes-Turnbull***	2017	–	–	–	–	–	–	–	–
	2016	22,041	–	–	–	2,045	–	–	24,086

\*Retired 25 October 2016, \*\* Appointed 13 September 2016, \*\*\* Retired 27 October 2015

## EXECUTIVES

The Company does not adopt a philosophy of excessive “at risk components” for Executive remuneration.

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

KMP remuneration for the years ended 30 June 2016 and 30 June 2017 is detailed in Table 4.2 below:

**TABLE 4.2**

EXECUTIVE	YEAR	SALARY	SHORT TERM INCENTIVE	NON-MONETARY BENEFITS	OTHER	SUPER	LONG TERM BENEFIT LSL	PERFORM. RIGHTS	TOTAL
J Ellison	2017	493,400	98,475	8,227	6,985	30,995	15,860	–	653,942
	2016	469,702	234,000	1,025	5,797	21,920	61,609	–	794,053
D Gauci	2017	221,667	32,388	5,000	–	21,058	7,256	3,090	290,459
	2016	217,241	43,385	5,000	–	20,638	7,016	2,575	295,855
A Muir*	2017	111,538	–	–	–	10,596	140	4,300	126,574
	2016	–	–	–	–	–	–	–	–
A Haworth	2017	261,606	29,851	–	–	29,778	4,765	3,090	329,090
	2016	267,085	34,769	5,517	–	25,373	7,936	2,575	343,255
P Victory	2017	194,751	29,216	5,676	–	22,627	10,612	3,090	265,972
	2016	174,628	23,652	7,245	–	26,352	5,362	2,575	239,814
T Waller**	2017	226,893	–	1,064	–	20,616	5,072	–	253,645
	2016	247,711	137,250	–	–	32,172	23,151	–	440,284

\*Appointed 9 January 2017, \*\* Resigned 31 March 2017

# REMUNERATION REPORT

## SHORT TERM INCENTIVES

For KMP, bonuses varied by Executive depending on the influence on the Company and the Business Unit, achievement of defined business goals, achievement of specific Business Unit EBIT budgets as well as the extent to which the Company achieved the Board approved budget for the year.

Table 4.3 outlines the bonuses payable to KMP for the reporting period.

**TABLE 4.3**

	CASH BONUS AT RISK (MAXIMUM)	ACHIEVEMENT OF GOALS	DISCRETIONARY PERFORMANCE	TOTAL BONUS
J Ellison	\$262,600	<ul style="list-style-type: none"> <li>Group exceeds its budgeted NPAT by 5% not met.</li> <li>Growth in shareholder value of 10% (measured by EPS) not met.</li> <li>37% of KPI's met.</li> </ul>	–	\$98,475
D Gauci	\$44,367	<ul style="list-style-type: none"> <li>Group and Business Unit Budget EBIT targets met.</li> <li>73% of KPI's met.</li> </ul>	–	\$32,388
T Waller	\$50,000	<ul style="list-style-type: none"> <li>Group stretch profit target – not met.</li> </ul>	–	–
A Haworth	\$49,751	<ul style="list-style-type: none"> <li>Group and Business Unit Budget EBIT targets met.</li> <li>60% of KPI's met.</li> </ul>	–	\$29,851
P Victory	\$37,698	<ul style="list-style-type: none"> <li>Group and Business Unit Budget EBIT targets met.</li> <li>78% of KPI's met.</li> </ul>	–	\$29,216

As a result of the above, the proportion of remuneration that was performance based as follows:

**TABLE 4.4**

	J Ellison	D Gauci	A Muir	A Haworth	P Victory
2017	15%	11%	0%	9%	11%
2016	29%	16%	N/A	8%	9%

## 5. EXECUTIVE CONTRACTS

### MANAGING DIRECTOR

The Company and Mr Ellison entered into a Managing Director Service Agreement which commenced on 16 October 2013. The Agreement was for an initial term of five years. An additional three-year extension has been negotiated with the Managing Director.

Either party can terminate the agreement by notice – Mr Ellison may terminate his employment with the Company at any time by giving the Company 90 days written notice, and the Company may terminate his employment without cause at any time after the expiration of the Initial Term by 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 conclusion of Mr Ellison's employment, he will be subject to a restraint of trade for a period of six months.

Under the Managing Director Service Agreement, Mr Ellison receives a fixed remuneration package of \$525,200 per annum (including salary and superannuation) 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 for the reporting period of up to 50% of annual salary, based on the following criteria, with an individual bonus attached to each criterion:

- SeaLink Travel Group achieving Group budget (Net Profit After Tax) (NPAT)
- SeaLink Travel Group exceeding Group budgeted NPAT by 5%
- Reaching specifically defined Key Performance Indicators

## OTHER KMP

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

**TABLE 5.1**

	NOTICE PERIOD	PAYMENT IN LIEU OF NOTICE	TREATMENT OF STI ON TERMINATION	TREATMENT OF LTI ON TERMINATION
Resignation	4 weeks or 8 weeks	4 weeks or 8 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 or 8 weeks	4 weeks or 8 weeks	Subject to Remuneration Committee discretion.	Subject to Board discretion.

## 6. OVERVIEW OF COMPANY PERFORMANCE

Table 6.1 shows the performance of the Company as measured by NPAT from continuing operations, earnings per share, gross dividends paid and dividend paid per share:

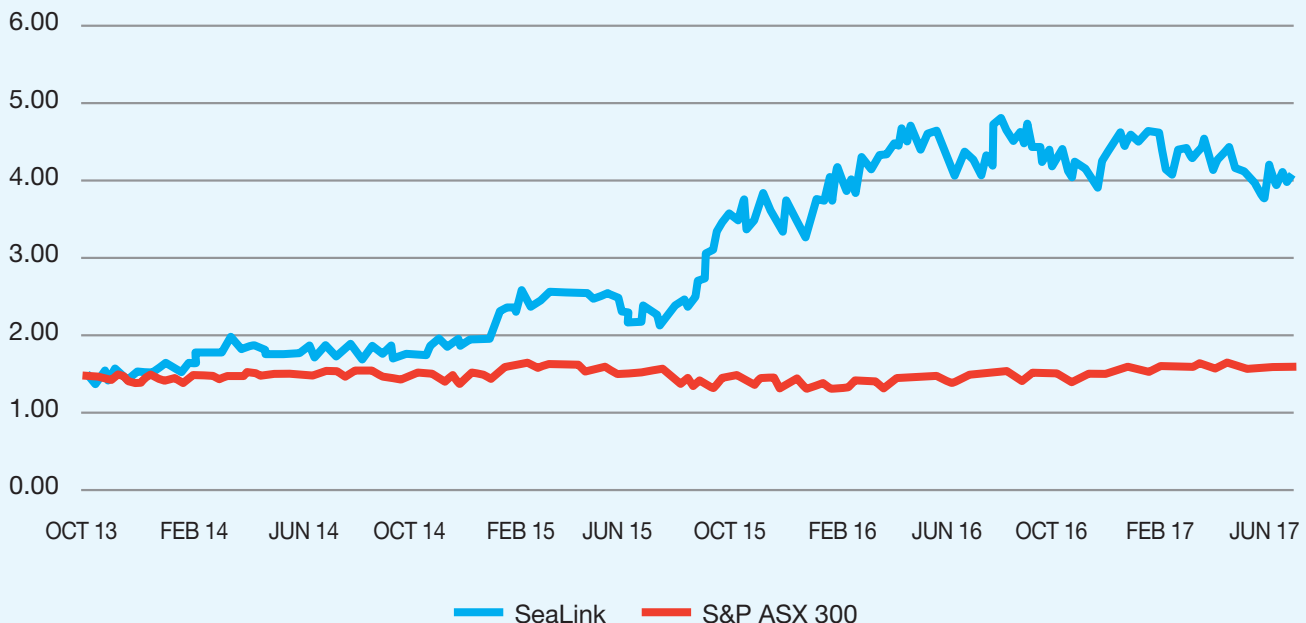
**TABLE 6.1**

	30 JUNE 2013 \$'000	30 JUNE 2014 \$'000	30 JUNE 2015 \$'000	30 JUNE 2016 \$'000	30 JUNE 2017 \$'000
Revenue	91,978	104,422	111,748	177,459	201,407
NPAT	7,023	7,233	9,349	22,349	23,832
Gross Dividend paid	4,026	5,499	5,761	7,624	13,656
Earnings per share (cents)	10.4	11.8	12.6	23.6	23.6
Dividend paid per share (cents)	7.5	7.4	7.8	12.0	14.0

Table 6.2 highlights the performance of the SeaLink share price since it was listed relative to the S&P ASX300.

The Compound Annual Growth Rate (CAGR) of SeaLink' share price during the period was 30.12% compared with the CAGR of the S&P ASX 300 which was 2.40%.

**TABLE 6.2**



# REMUNERATION REPORT

## 7. OPTIONS, SHAREHOLDINGS AND PERFORMANCE RIGHTS OF KMP

Options held by KMP

**TABLE 7.1**

YEAR END 30 JUNE 2017	BALANCE 01/07/2016	GRANT DATE	AWARDED/ (FORFEITED)	EXERCISED	BALANCE 30/06/2017	FAIR VALUE PER OPTION AT AWARD DATE	EXPIRY DATE	INTRINSIC VALUE OF OPTIONS EXERCISED/SOLD
<b>DIRECTORS</b>								
A McEvoy	–	25/10/2016	100,000	–	100,000	\$4.11	26/10/2019	–
<b>Total</b>	<b>–</b>		<b>100,000</b>	<b>–</b>	<b>100,000</b>	<b>–</b>		<b>–</b>

**TABLE 7.2**

YEAR END 30 JUNE 2016	BALANCE 01/07/2015	GRANT DATE	AWARDED/ (FORFEITED)	EXERCISED	BALANCE 30/06/2016	FAIR VALUE PER OPTION AT AWARD DATE*	EXPIRY DATE	INTRINSIC VALUE OF OPTIONS EXERCISED/SOLD
<b>DIRECTORS</b>								
J Ellison	750,000	11/10/2013	–	(750,000)	–	N/A	–	\$2,100,000
<b>OTHER KEY MANAGEMENT PERSONNEL</b>								
A Haworth	31,250	03/11/2014	–	(31,250)	–	N/A	–	\$86,675
<b>Total</b>	<b>781,250</b>	<b>–</b>	<b>–</b>	<b>(781,250)</b>	<b>–</b>	<b>N/A</b>	<b>–</b>	<b>–</b>

\*No options awarded for the period, therefore no fair value applicable.

As at 30 June 2017, 100,000 options to KMP remained outstanding. In addition to the above, 200,000 (2016: 200,000) share options, which vested in October 2015 are held by senior staff.

## SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

**TABLE 7.3**

YEAR END 30 JUNE 2017	BALANCE 01/07/2016	EXERCISE OF OPTIONS	ACQUIRED/ (SOLD)	BALANCE 30/06/2017	AMOUNT PAID PER SHARE ON OPTION EXERCISE
<b>DIRECTORS</b>					
A McEvoy	–	–	14,350	14,350	–
J Ellison	5,524,769	–	–	5,524,769	–
T Dodd	5,212,000	–	–	5,212,000	–
F Hele	–	–	10,000	10,000	–
W Spurr*	81,000	–	(40,000)	41,000	–
C Smerdon	6,104,500	–	–	6,104,500	–
A Staines	–	–	–	–	–
<b>OTHER KEY MANAGEMENT PERSONNEL</b>					
D Gauci	10,000	–	–	10,000	–
A Haworth	51,650	–	–	51,650	–
A Muir**	–	–	–	–	–
P Victory	83,360	–	4,765	88,125	–
T Waller***	140,000	–	–	140,000	–
<b>Total</b>	<b>17,207,279</b>	<b>–</b>	<b>(10,885)</b>	<b>17,196,394</b>	<b>–</b>

\*Resigned October 2016, \*\*Appointed 9 January 2017, \*\*\*Resigned 31 March 2017

# REMUNERATION REPORT

**TABLE 7.4**

YEAR END 30 JUNE 2016	BALANCE 01/07/2015	EXERCISE OF OPTIONS	ACQUIRED/ (SOLD)	BALANCE 30/06/2016	AMOUNT PAID PER SHARE ON OPTION EXERCISE
<b>DIRECTORS</b>					
J Ellison	5,512,769	750,000	(738,000)	5,524,769	\$1.40
T Dodd	5,400,000	–	(188,000)	5,212,000	–
W Spurr	150,000	–	(69,000)	81,000	–
C Smerdon	6,350,000	–	(245,500)	6,104,500	–
<b>OTHER KEY MANAGEMENT PERSONNEL</b>					
D Gauci	5,000	–	5,000	10,000	–
A Haworth	14,400	31,250	6,000	51,650	\$1.30
P Victory	62,835	–	20,525	83,360	–
T Waller	150,000	–	(10,000)	140,000	–
<b>Total</b>	<b>17,645,004</b>	<b>781,250</b>	<b>(1,218,975)</b>	<b>17,207,279</b>	<b>–</b>

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.

## PERFORMANCE RIGHTS OF KMP

Performance rights are generally granted to Senior Executives as part of a long-term incentive. When a participant ceases employment prior to the vesting of their performance rights or where the performance hurdle is not met, the performance rights are forfeited. Should all conditions be met, one ordinary share is issued for each performance right at no consideration. The hurdle price is usually set using a 10% compound annual growth rate applied to the share market price at date of issue.

Mr J Ellison received 160,000 performance rights and Mr A Muir received 15,000 performance rights in 2017; 30,000 additional performance rights were issued to other senior staff.

The following Performance Rights have been issued to KMP:

**TABLE 7.5**

KEY MANAGEMENT PERSONNEL	BALANCE 01/07/2016	AWARDED/ (FORFEITED)	BALANCE 30/06/2017	HURDLE PRICE	ISSUE DATE	FAIR VALUE PER PERF. RIGHT AT AWARD DATE	VESTING DATE
<b>DIRECTORS</b>							
D Gauci	15,000	–	15,000	\$3.20	01/09/2015	\$0.62	31/08/2018
P Victory	15,000	–	15,000	\$3.20	01/09/2015	\$0.62	31/08/2018
A Haworth	15,000	–	15,000	\$3.20	01/09/2015	\$0.62	31/08/2018
J Ellison	–	160,000	160,000	*	25/10/2016	\$4.11	25/10/2019
A Muir	–	15,000	15,000	\$6.08	09/01/2017	\$1.72	07/01/2020

\* The conditions attached to the Performance Rights issued to Mr Ellison were approved at the AGM in 2016 and are as follows:

1) Mr Ellison must remain in continuous employment with the Company as Managing Director until the third anniversary of the date of grant of the Performance Rights; and

2) For the Performance Rights to vest in total, the Company must achieve a target compounding annual growth rate (CAGR) of earnings per share (EPS) of 12% for the three-year measurement period, applied to the base period being 2016 financial year. A threshold CAGR over that three-year period of 10% will result in 25% of the Performance Rights vesting, with pro rata vesting for achievement for between 10% and 12% of CAGR for the three-year measurement period.

# REMUNERATION REPORT

## 8. REMUNERATION GOVERNANCE

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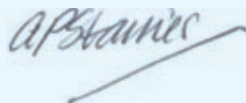
The Remuneration Committee is comprised of three NEDs. Mr Dodd, who is a member of the Committee, is not regarded as independent, for the reasons set out in the Company's Corporate Governance Statement. Those factors do not impact Mr Dodd's ability to carry out his duties on the Committee.

This Committee has delegated authority for some matters related to remuneration arrangements for Executives and is required to make recommendations to the Board on other matters.

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

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



Ms AJP Staines  
Chair, Remuneration Committee  
SeaLink Travel Group Limited

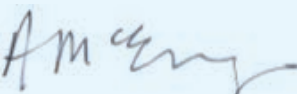
Adelaide  
Date: 15 August 2017

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Sealink Travel Group 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 30 June 2017 and of its performance for the year ended on that date; and
    - (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001;
  - (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 5A; and
  - (c) 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 year ended 30 June 2017.

On behalf of the Board



Mr AJ McEvoy  
Chair  
SeaLink Travel Group Limited

Adelaide  
Date: 15 August 2017

## ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as of 21 August 2017.

### A DISTRIBUTION OF EQUITABLE SECURITIES

(i) Ordinary share capital, entitled to vote and entitled to dividends

101,154,103 fully paid ordinary shares are held by 2,960 individual shareholders.

(ii) Options

300,000 options are held by two individual option holders. Options do not carry a right to vote or to participate in dividends.

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	386,145	-
1,001-5,000	3,687,260	-
5,001-10,000	3,956,112	-
10,001-100,000	10,508,478	2
100,001 and over	82,616,108	-
Totals	101,154,103	-
Holdings less than a marketable parcel (based on a closing price of \$4.06 on 21 August 2017)	464	-

### B SUBSTANTIAL SHAREHOLDERS

ORDINARY SHAREHOLDERS	NUMBER	%
MR C SMERDON	6,104,500	6.03
MR J R ELLISON	5,524,769	5.46
MR T J DODD	5,212,000	5.15

### C TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

ORDINARY SHAREHOLDERS	NUMBER ('000s)	%
J P MORGAN NOMINEES AUSTRALIA LTD	9,450	9.34
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,772	6.69
PRESCOTT NO 22 PTY LTD	5,594	5.53
SARTO PTY LTD	5,031	4.97
*CITICORP NOMINEES PTY LIMITED (excluding shares held by Hidden Champions Fund)	1,458	1.44
*HIDDEN CHAMPIONS FUND (held by Citicorp Nominees Pty Limited)	3,395	3.36
NATIONAL NOMINEES LIMITED	4,454	4.40
SUNROP PTY LTD	4,143	4.10
BNP PARIBAS NOMS PTY LTD	4,139	4.09
ARISTOS NOMINEES PTY LTD	3,564	3.52
EQUILINK PTY LTD	3,548	3.51
HEBDEN PTY LTD	3,525	3.48
FLAVON NOMINEES PTY LTD	2,651	2.62
BELAHVILLE PTY LTD	2,625	2.59
WITRON PTY LTD	1,869	1.85
LASHMAR NOMINEES PTY LTD	1,752	1.73
MR J. R. ELLISON & MRS T. A. ELLISON	1,751	1.73
GLADYS WILLSON	1,172	1.16
MR KEVIN WILLSON	1,102	1.09
LYNN WRIGHT	818	0.81
MR TREVOR BATES	818	0.81

\*As advised by Citicorp Nominees Pty Limited.



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**ACN** 109 078 257

**ASX Code** SLK

#### CORPORATE GOVERNANCE

The Board of Directors of SeaLink Travel Group Limited ("SeaLink") is 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.

#### The underlying principles are as follows:

1. Lay solid foundations for management and oversight
2. Structure the Board to add value
3. Act ethically and responsibly
4. Safeguard integrity in corporate reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

Each of these principles are dealt with in detail on our website in our Corporate Governance Statement available at [sealinktravelgroup.com.au/corporate-governance](http://sealinktravelgroup.com.au/corporate-governance)