SEALINK TRAVEL GROUP LIMITED
FINANCIAL REPORT AND APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2018

SEALINK TRAVEL GROUP LIMITED
ASX APPENDIX 4E (rule 4.3A)
FOR THE YEAR ENDED 30 JUNE 2018

	Normalised Results #			Statistical Results		
	Consolidated SeaLink			Consolidated SeaLink		
	Change from Period Ended 30 June			Change from Period Ended 30 June		
	2018 $M	2017 $M	Change %	2018 $M	2017 $M	Change %
Revenue from Ordinary Activities	208.2	200.2	4.0%	208.2	200.2	4.0%
EBITDA (excl significant items)	**46.5**	**49.4**	(5.9%)	**46.5**	**49.4**	(5.9%)
One-off costs						
Acquisition related costs (Fraser Island)^	-	-	n/a	(2.6)	-	n/a
Start up costs (new routes) - CCC*	-	-	n/a	(0.4)	-	n/a
Depreciation and Amortisation	(12.9)	(11.9)	8.1%	(12.9)	(11.9)	8%
EBIT ~	**33.6**	**37.5**	(10.3%)	**30.6**	**37.5**	(18.3%)
Interest	(3.1)	(3.2)	(3.1%)	(3.1)	(3.2)	(3.1%)
Net Profit Before Tax attributable to the members of SeaLink Travel Group Limited	30.5	34.3	(11.0%)	27.5	34.3	(19.8%)
Tax	(8.4)	(10.5)	(20.0%)	(7.9)	(10.5)	(24.8%)
Profit After Tax	**22.1**	**23.8**	(7.0%)	**19.6**	**23.8**	(17.6%)

 # Normalised Results have been adjusted for significant one off items for the period 30 June 2018
^ Costs associated with the acquisition of Fraser Island including stamp duty, legal, accounting, tax and other professional costs
** Costs associated with the commencement of the two new services operating from Manly to Barangaroo in NSW and Fremantle to Rottnest Island in WA*
~ Includes loss of $1.0m associated with ownership of Fraser Island and $1.8m associated with start up trading losses for new routes in NSW and WA

DIVIDEND INFORMATION

	Amount per Share (cents)	Franked Amount per Share (cents)	Tax rate for franking credit
30 June 2017			
Interim Dividend	6.0	6.0	30%
Final Dividend	8.0	8.0	30%
30 June 2018			
Interim Dividend	6.5	6.5	30%
Final Dividend	8.0	8.0	30%

Final Dividend Dates	
Ex-dividend date	20 September 2018
Record Date	21 September 2018
Payment date	3 October 2018

NET TANGIBLE ASSETS

	June 2018	**June 2017**
Net tangible assets per ordinary share	$1.01	$1.00

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

Additional Appendix 4E disclosure requirements can be found in the Directors' Report and the consolidated financial statements.

Signed:

A J McEvoy
Chair
SeaLink Travel Group Limited
21 August 2018

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018

The Board of Directors of SeaLink Travel Group Ltd ("SeaLink" or "the Company") has pleasure in submitting its report for the year ended 30 June 2018.

Directors

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

Andrew J. McEvoy (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 Great Walks of Australia and of the Wine Australia Export Advisor Panel and was Chair of the Adelaide Riverbank Authority until 30 June 2018. His other Directorships are Lux Group and Ingenia Communities. Mr McEvoy 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 Nominations Committee.

Jeffrey R. 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, 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 appointed Managing Director in 2008. Mr Ellison is a member on the South Australian Botanic Gardens and State Herbarium Board. 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 D. 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 as previously Managing Director of Protech Australasia Pty Ltd a national Information Technology and systems integrator. Other Directorships currently held by Mr Smerdon are with Tourism & Allied Holdings Pty Ltd and Aquaport Corporation and Environmental Energy Australia.

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

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

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

Andrea J. 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, UnitingCare Queensland, the Australian Rural Leadership Foundation, NDIA, Freightways, 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, Goodstart 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 Nominations Committee and a member of the Company's Audit and Risk Committee.

Fiona Hele (B.Com, FCA, GAICD) - Non-Executive Director
Ms Hele is a Chartered Accountant with over 25 years' experience in both the private and corporate sector specialising in strategic and business planning, risk management and corporate governance.

Ms Hele is currently a Board member of the Adelaide Venue Management Corporation, Celsus Securitisation, Prime Q and South Australian Water Corporation. Previous directorships include the South Australian Tourism Commission, Adelaide Fringe Festival and Perks & Associates.

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

Company Secretary

Paul Blewett (LLB) (retired 6 July 2018)
Prior to joining SeaLink as General Counsel and Company Secretary, Mr Blewett was Regional General Counsel and Company Secretary for Boart Longyear Limited (ASX:BLY). 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.

Andrew Muir (B.Ec, MBA) (appointed 1 June 2018)
As part of the transitional arrangements between Mr Blewett's retirement and Joanne McDonald's appointment as Company Secretary, Mr Andrew Muir (Chief Financial Officer) was appointed Company Secretary on 1 June 2018. Mr Muir holds a Bachelor of Economics and a Master of Business Administration from the University of Adelaide.

Joanne McDonald (LLB, B.Ec) (appointed 21 August 2018)
Prior to joining SeaLink as Legal Counsel and Company Secretary, Ms McDonald was Executive Manager Corporate Governance and Company Secretary for ElectraNet Pty Ltd. Ms McDonald has over 25 years' experience in commercial and corporate law including holding senior legal and commercial positions with other listed and statutory corporations. She holds a Bachelor of Laws (Hons) and Bachelor of Economics from the University of Adelaide.

Interest in the shares and options of the Company and related bodies Corporate

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

	Number of Ordinary Shares	*Number of Options over Ordinary Shares*
AJ McEvoy (Chair)	19,579	100,000
CD Smerdon	6,104,500	-
JR Ellison	5,524,769	-
TJ Dodd	5,035,990	-
F Hele	10,000	-
A Staines	-	-

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the 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 Meetings attended*
Number of meetings held:	10	4	2
AJ McEvoy (Chair)	10	-	2
CD Smerdon	9	4	-
JR Ellison*	10	4	2
TJ Dodd	10	-	2
A Staines	10	3	2
F Hele	10	4	-

All current Directors were eligible to attend all meetings held.
* Mr Ellison attended the Board sub-committees by invitation only.

Committee Membership

As at the date of this report, the Company had an Audit and Risk Committee and a Remuneration and Nomination Committee. Members acting on the Committees of the Board during the year were:

Audit and Risk	*Remuneration and Nomination*
F Hele (Chair)	A Staines (Chair)
A Staines	A McEvoy
CD Smerdon	TJ 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 Fraser Island and Vivonne Bay.

Review of Operations

It has been a significant year of growth where we have expanded our portfolio and organically grown new routes through a combination of acquisition and investment.

During the period under review, the Company was able to commence operating two new iconic ferry services, Manly to Barangaroo in New South Wales and Freemantle to Rottnest Island in Western Australia, as well as successfully integrating the acquired businesses and operations of the Kingfisher Bay Resort Group on Fraser Island in Queensland (acquired in March 2018). The new acquisition on Fraser Island further strengthens our diversified portfolio of assets, balancing our key tourism and transport businesses and positioning us well for future growth.

Despite lower profits primarily associated with the one-off start-up costs of the two new ferry services and the one-off acquisitions costs relating to the Fraser Island business, the Company has maintained its final dividend at 8.0 cents per share this financial year. This brings the full year dividend to 14.5 cents per share, up from 14.0 cents per share last year.

Result Overview

The Company recorded a statutory Net Profit after Tax (NPAT) of $19.6m compared to a NPAT of $23.8m for the year ended June 2017. From a comparative perspective, the year ended June 2018 included the after tax effect of one off acquisition related expenses of $2.0m and one off start-up costs associated with the two new ferry services of $0.3m.

In addition, contribution from the Fraser Island business was an EBIT loss of $1.0m for the three months since acquisition. This was expected given this is the non-peak / low season. The business has been successfully integrated and we are well positioned as we enter the new financial year.

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

- Acquisition of the Kingfisher Bay Resort Group on Fraser Island (March 2018),
- Successful launch of a new commuter ferry service operating from Manly to Barangaroo on Sydney Harbour (October 2017),
- Successful launch of a new ferry service from Freemantle to Rottnest Island in Western Australia (November 2017),
- Announced as the successful tenderer for the Bruny Island ferry service in Tasmania (commencing 23 September 2018),
- Investment in Uwai – an App specifically developed for Chinese tourists,

- Increased occupancy returns from the *PS Murray Princess,*
- Launch of our national “Reconciliation Action Plan”,
- Consistent growth in patronage and profit margin for the South Australian operations,
- QuickTravel ticketing successfully rolled out in Western Australia on the Rottnest Island service,
- Increased ferry vehicle and patronage to Stradbroke Island,
- Construction of two new vessels, and
- Purchase of one new 53 seat Scania coach for the Kangaroo Island touring operations.

The South Australian, Queensland and Northern Territory operations all performed well during the period.

Contribution from our Captain Cook Cruises business in both Western Australia and New South Wales were below our expectations and the potential we see for both businesses.

Higher fuel costs due to higher world oil prices had a negative effect on the result, however, we are seeing greater stability in global prices and we have actively hedged approximately 50% of our exposure to mitigate this risk going forward.

During the year, SeaLink took delivery of one new vessel - the *MV Nancy Wake* in September 2017 which has commenced service in Sydney Harbour on the Manly to Barangaroo route and we commenced construction of a further two smaller “Tubby” class ferries to service the inner harbour and bays precinct in Sydney.

The Company continues to focus on its strategy of growth through acquisition as well as maximising organic 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 cash flow 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 45%, which is within target gearing levels and positioning us well for future investment and growth.

We continue to develop our technology offering and our QuickTravel booking system is assisting us to better understand and manage capacity, yield growth, variable pricing and monitor passenger trends.

SeaLink South Australia

Kangaroo Island SeaLink

In 2017/18, revenue for ferries was up 6.7% on last year with passengers, vehicles and freight all contributing positively to this result. This strong revenue increase was achieved as a result of increased traffic flow to Kangaroo Island as no fare increases were made again this financial year. Our record breaking service and reliability continued with a further increase of 4.3% in passengers on last year’s record. We also carried a record number of vehicles.

SeaLink Kangaroo Island day touring was slightly down, however, groups and charter revenue continued to grow with a 38% increase on last year and personalised touring from the international market with Kangaroo Island Odysseys growing by 6.9%. Accommodation sales continued to decline in 2017/18 finishing 16% below last year as Online Travel Agents continue to gain market share. Group accommodation performed well.

SeaLink continued to discuss opportunities to extend its licence agreement with the South Australian Government on a mutually beneficial basis but no outcome has been reached.

The overall contribution by this business segment before interest and tax increased to $15.0m.

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

P.S. Murray Princess

Cabin occupancy in 2017/18 was 91% up from 87% in 2016/17. During the period, we operated more than 80 cruises with an average of 97 guests per cruise (up from 91 the year prior). 2017/18 saw cruise revenue increase by 7.2% on last year which was a pleasing result.

The new seven-night Upper Murray lands cruises departing each month, assisted in growing yield per cruise and generated new reasons for guests to cruise again with us. Increased focus on developing last minute ‘Pack and Go’ offers to our national database assisted in filling up empty cabins and increasing guest numbers.

Captain Cook Cruises – New South Wales and Western Australia

Captain Cook Cruises New South Wales (CCC NSW)
Throughout 2017-18, we have focused on implementing our strategic plans to increase capacity, vessel utilisation and ferry routes to service Sydney Harbour residents and visitors. During the period we commenced the Manly to Barangaroo Fast Ferry and the weekend Fish Market shuttle service utilising the companies new 'Tubby Class' vessels. The year has been one of investment and tight cost management as profits have been hampered by establishment costs and start-up losses relating to slower than expected demand growth for Manly/Barangaroo, weaker than expected Harbour City Ferries charter revenue and softening international tourist and domestic demand in the last quarter of the year.

Sales increased by $1.2m or 3% over last year, with growth coming in dining cruises and our new ferry routes. Dining increased 3% and was on track for more significant growth until international and domestic demand softened in the last quarter and the results from the NSW 'Vivid' event were below last year. The level of inbound tourism growth into Australia has softened in the last five months of the financial year. Our premium dining strategy continues to deliver improvements in yield. Unfortunately, charter sales were much weaker than expected and hampered our overall result. Sales continued to increase from sightseeing and 'Harbour Story' cruises, maintaining their popularity in our tourism offering.

The many challenges around Government control of access to wharf infrastructure and support for signage and true payment integration, through Opal, have put additional pressure on the bottom line. We worked hard to resolve these issues whilst tightening costs, including deploying our most efficient vessels on the Manly/ Barangaroo service during the start-up phase. This process included re-deploying Capricornian Sunrise, our largest fast ferry, away from Sydney, and amending our midday schedules to incorporate the use of Sydney's most efficient Elizabeth Class vessels during the day. The Manly/Barangaroo service continues to move steadily towards profitability.

Additionally, in the face of softening International demand, we took the opportunity to tighten operating schedules by melding timetables and vessels, achieving a 15% reduction in operating cost.

In our Dining and Sightseeing areas, we have moved to 'demand scheduling' throughout Autumn and Winter, making further operating savings without jeopardising key relationships with our distribution partners.

From a sales growth perspective, preferred arrangements have been negotiated with our major distribution partners. Our focus has also been to build our direct to market channels in the Chinese and Asian markets and we believe our investment in UWAI will provide strong leverage in this area.

Our Sydney business will soon take delivery of a further two 60 passenger 'Tubby' class vessels in September 2018. Our fleet of Tubby vessels will provide the perfect platform for a next phase of 'On demand services' in Sydney's inner harbour precincts; which we have plans to develop over the coming year.

We believe the business can continue to innovate to expand the Sydney Harbour 'Blue Highway' and build sustainable long-term value for shareholders.

Captain Cook Cruises Western Australia (CCC WA)

Business conditions in WA continued in the same vein as in the 2017 year, with a depressed local economy that translated to a reduction in local bookings. This was combined with one of the worst domestic and international tourism periods for some time, with visitation and spend going backwards, compared with all other states and territories, that actually increased.

Captain Cook Cruises WA (Perth's Swan River product) continues to be well placed to capitalize on the forecast uplift in Western Australia market conditions with a complete overhaul having been undertaken on all Swan River tours and an increased focus on domestic and international sales and marketing initiatives.

Whilst significantly delayed through the construction phase of the new Optus Stadium, the new Burswood Jetty is now completed (June 2018) and CCC WA were successful in the tender for exclusive access to berth 1 of this jetty at the stadium. This opens significant opportunity for the corporate charter market attending sports games and events at the new Optus Stadium and bookings for the Bledisloe Cup and NRL State of Origin matches have already been confirmed for 2019.

The new Rottnest Island service was successfully launched in November 2017. As a direct result of our entry into the market, it has seen an immediate 30% decrease in ferry prices to the Island, translating to an increase of up to

30% in Island visitation. SeaLink WA's economies of scale in this business have enabled it to perform well in its first year of operation even in the very competitive market. SeaLink Rottnest Island expects to continue to pick up market share on this high profile and lucrative tourism route.

SeaLink Queensland

Gladstone
In Gladstone, all ferry service contracts were on an operational contract basis and rates for the full year and the business performed to expectations.

One Capricornian vessel remains in Gladstone on a long-term lease servicing Curtis Island. Dry vessel leases are in place for two Capricornian vessels, one operating in Melbourne and one in New Zealand. Of the remaining two vessels, one was redeployed in Sydney to operate the Manly to Barangaroo service and the other vessel was relocated to Perth to operate the Rottnest Island service.

South-East Queensland
Another strong year for the South-East Queensland business achieving a very strong EBIT result as we deliver on our strategic plan to grow tourism on North Stradbroke Island.

During the year we undertook a management restructure which will have a greater focus on the tourism sector.

The business also benefited from a long-term dry lease charter of the *MV Quandamooka* to Weipa during the year.

We have continued to work on rebuilding the relationship with the Quandamooka Yoolooburrabee Aboriginal Corporation (QYAC) on North Stradbroke Island culminating in a first workshop to be held in early August 2018 between QYAC and SeaLink to discuss joint opportunities and work collaboratively in the future.

Negotiations with TransLink for the renewal of the Southern Morton Bay Islands (SMBI) contract are well advanced and look very promising. The preliminary planning for a new car ferry for SMBI is also underway and construction will commence on approval of port access by government.

During the year we took delivery of the first touring coach for our North Stradbroke operations and have been successful in offering cruise ship market day tours to North Stradbroke Island. Over time we expect this business to achieve healthy growth.

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

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

SeaLink Townsville and Northern Territory
SeaLink Townsville increased revenue by 8.0% across its core businesses. Magnetic Island passenger numbers increased by 3.4% driven by local and regional travel, greater airline seating capacity into Townsville predominately from Victoria and increased travel by the youth adventure sector. This also positively impacted discretionary revenue such as tour/travel products and canteen sales.

Despite a reduction in cruise ship activity in the area, charter revenue increased 12.5% due to a significant increase in the North Queensland Adventure tour program, private charter services and a one-off ship charter for the US Navy.

Operating costs were adversely affected by a significant increase in diesel fuel prices, however closer analysis of vessel efficiencies and tight cost controls across the business minimised the impact on margins.

The increased revenue and a focus on operating costs has resulted in an EBIT at 23.7% above the previous year.

SeaLink Northern Territory successfully negotiated an extension and expansion of the Groote Eylandt contract to incorporate ferry services from Groote Eylandt to Numbulwar and operation of community bus services on Groote Eylandt, adding approximately an additional $1.0M in revenue per annum. A larger vessel, the *MV Duffy*, was re-located from SeaLink Gladstone and after a major refit and survey upgrade, commenced service in Groote Eylandt in January 2018 replacing the smaller *MV Tyrell*.

The Tiwi Islands service also performed strongly with a 19% increase in passenger numbers and 25% increase in sales revenue across ferry and tour services. This was due to increased travel by residents over the wet season and increasing tourism numbers during peak season.

Passenger numbers on the Mandorah ferry service were flat mainly due to ongoing disruptions caused by infrastructure issues at Cullen Bay, finishing 4% lower than 2017.

In March 2018, the Northern Territory Government advertised an Expression of Interest process for the Mandorah and Tiwi Islands ferry contracts which are due to expire in August 2018. SeaLink Northern Territory is seeking renewal of these contracts.

Fraser Island

The business and assets of the Kingfisher Bay Resort Group were acquired on 26 March 2018. Earnings before interest and tax for the three-month period to 30 June 2018 was an EBIT loss of $1.0M. This is in-line with our expectations as this is the non-peak / low season for the business.

The acquisition included the two island resorts; Kingfisher Bay Resort and Eurong Beach Resort, Fraser Explorer Tours and the Fraser Island Ferry operations. Kingfisher Bay Resort Group accounts for 90 per cent of accommodation options and the vast majority of touring options on Fraser Island. The purchase price of $43 million includes land and buildings, plant and equipment, three vehicular ferries, a 30 vehicle touring coach fleet, all contracts, licences, intellectual property and goodwill.

The integration of the Fraser Island business has progressed well, and we are in a good position to capitalise on the growth opportunities that exist.

Future

We are confident our tourism and transport 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 opportunities online and through social media channels.

During the year we made a number of investments of a long-term strategic nature which despite some short-term start-up costs and trading losses will reap rewards in years to come as these new routes and services become more established and we grow market share.

We believe the Group is well-positioned to improve upon its FY18 full year net profit after tax 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 Tasmania, South East Queensland, Darwin and Sydney. Future organic tourism growth opportunities include further development of tourism to North Stradbroke Island, continued growth in services in Sydney and tourism growth other markets.

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

Overall, FY19 has started in line with expectations, despite a number of disruptions relating to weather conditions 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;
- Maximising Group opportunities from Fraser Island
- Producing sustainable profits for the new Manly/Barangaroo and Rottnest Island routes;
- Continuing to improve sales, yields and margins on transport and tourism products;

- Utilising existing sales and marketing skills to promote and cross-sell existing and new products and services;
- Utilising in-house technical skills to improve booking processes and websites to drive increased sales and productivity;
- Working with Governments to develop new routes; and
- 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 ongoing support and commitment over the past year. The hard-working talented people at SeaLink are central to our ongoing future growth and success.

Share Options

Unissued shares
As at 30 June 2018, there were 300,000 (2017: 300,000) options outstanding to acquire ordinary shares in the Company. 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.

Dividend

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 2018 paid 20 April 2018.	6.5	$6,575,017
Final fully franked dividend for the year ended 30 June 2017 and paid 16 October 2017.	8.0	$8,092,328

SeaLink's Directors today declared an 8.0 cent per share fully franked final dividend payable on 3 October 2018 to shareholders registered on 21 September 2018. This represents a 74% return of net profit after tax to shareholders, which is slightly above the Company'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 2017 was 6.5 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 SeaLink's Directors on 21 August 2018, representing a total payment of $8,092,328 to be paid 3 October 2018 based on the current number of ordinary shares.

Apart from the above, there are no significant events after the end of the reporting period which 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	$Nil

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 2018 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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
2018 REMUNERATION REPORT

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 2018.

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

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 and Nominations 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.

Fixed Remuneration	Short Term Incentives (STI)	Long Term Incentives (LTI)
• 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.	• 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 60%. • 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.	• 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.

Table 2.1

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.

For 1 July 2017 to 30 June 2018 the KMP were:

Non-Executive Directors (NED's)		
A McEvoy	Chair	
T Dodd	Non-Executive Director	
C Smerdon	Non-Executive Director	
A Staines	Non-Executive Director	
F Hele	Non-Executive Director	
Executive Director		
J Ellison	CEO and Managing Director	
Other KMP		
A Muir	Chief Financial Officer	
A Hayes	Chief Operating Officer	Appointed 11 September 2017
D Gauci	General Manager- SeaLink SA	
A Haworth	General Manager- Captain Cook Cruises, NSW	
P Victory	General Manager- SeaLink NQ & NT	

Table 3.1

4. Remuneration of KMP

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. A 2% increase is planned for the 2018/2019 Financial Year.

The remuneration of NED consists of Director 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.

NED remuneration for the years ended 30 June 2017 and 30 June 2018 is detailed in Table 4.1 below:

Non-Executive Director	Year	Director Fee	Short Term Incentive	Non-Monetary Benefits	Other	Super	Long Term Benefit LSL	Perform. Rights/ Options	Total
A McEvoy	2018	134,000	-	-	-	12,730	-	91,333	238,063
	2017	134,000	-	-	-	12,730	-	91,333	238,063
A Staines	2018	67,000	-	-	-	6,365	-	-	73,365
	2017	64,423	-	-	-	8,942	-	-	73,365
C Smerdon	2018	67,000	-	-	-	6,365	-	-	73,365
	2017	67,000	-	-	-	6,365	-	-	73,365
T Dodd	2018	67,000	-	-	-	6,365	-	-	73,365
	2017	67,000	-	-	-	6,365	-	-	73,365
F Hele	2018	67,000	-	-	-	6,365	-	-	73,365
	2017	53,600	-	-	-	5,092	-	-	58,692

Table 4.1

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 2017 and 30 June 2018 is detailed in Table 4.2 below:

Executive	Year	Salary	Short Term Incentive	Non-Monetary Benefits	Other	Super	Long Term Benefit LSL	Perform. Rights	Total
J Ellison	2018	520,599	66,963		7,690	23,000	24,410	-	642,662
	2017	493,400	98,475	8,227	6,985	30,995	15,860	-	653,942
D Gauci	2018	254,438	23,442	-	-	24,540	6,175	3,090	311,685
	2017	221,667	32,388	5,000	-	21,058	7,256	3,090	290,459
A Muir**	2018	250,000	12,500	-	-	23,750	686	-	286,936
	2017	111,538	-	-	-	10,596	140	4,300	126,574
A Haworth	2018	276,055	6,250	-	-	25,569	12,122	3,090	323,086
	2017	261,606	29,851	-	-	29,778	4,765	3,090	329,090
P Victory	2018	198,773	21,890	-	-	21,480	5,945	3,090	251,178
	2017	194,751	29,216	5,676	-	22,627	10,612	3,090	265,972
A Hayes*	2018	293,224	-	-	-	19,988	318	-	313,530
	2017	-	-	-	-	-	-	-	-

Table 4.2
*Appointed 11 September 2017
** Appointed 9 January 2017

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.

Executive	Cash Bonus at Risk (Maximum)	Achievement of goals	Discretionary Performance	Total Bonus
J Ellison	$267,852	Group exceeds its budgeted NPAT by 5% not met.	-	$66,963
		Growth in shareholder value of 10% (measured by EPS) not met.		
		25% of KPI's met		
D Gauci	$45,254	Business Unit Budget EBIT targets met.	-	$23,442
		52% of KPI's met		
A Muir	$50,000	25% of KPI's met	-	$12,500
A Haworth	$50,000	12.5% of KPI's met	-	$6,250
P Victory	$39,800	Business Unit Budget EBIT targets met. 55% of KPI's met	-	$21,890
A Hayes*	-		-	-

Table 4.3
*Appointed 11 September 2017

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

	J Ellison	D Gauci	A Muir	A Hayes	A Haworth	P Victory
2018	10%	8%	4%	0%	2%	9%
2017	15%	11%	0%	0%	9%	11%

Table 4.4

5. Executive Contracts

Managing Director

The Company and Mr Ellison entered into a Managing Director Service Agreement which commenced on 16 October 2013 for an initial term of 5 years. This agreement was subsequently extended by 12 months to 16 October 2019, and provides the ability to further extend the term of employment by mutual consent.

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 total 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 10%; and
- 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:

	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.

Table 5.1

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:

	30 June 2013 $'000	30 June 2014 $'000	30 June 2015 $'000	30 June 2016 $'000	30 June 2017 $'000	30 June 2018 $'000
Revenue	91,978	104,422	111,748	177,459	201,407	209,436
NPAT	7,023	7,233	9,349	22,349	23,832	19,565
Gross Dividend paid	4,026	5,499	5,761	7,624	13,656	14,667
Earnings per share (cents)	10.4	11.8	12.6	23.6	23.6	19.3
Dividend paid per share (cents)	7.5	7.4	7.8	12.0	14.0	14.5

Table 6.1

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

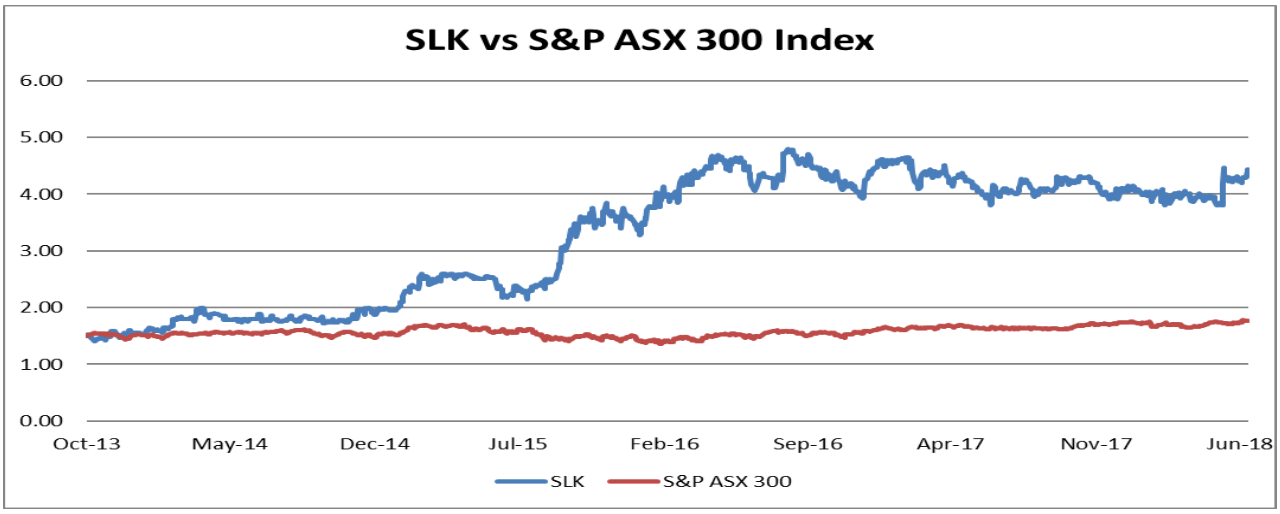

Table 6.2

The Compound Annual Growth Rate (CAGR) of SeaLink' share price during the period was 25.89% compared with the CAGR of the S&P ASX 300 which was 3.57%.

7. Options, Shareholdings and Performance Rights of KMP

Options held by KMP

Year End 30 June 2017	Balance 1 July 2016	Grant Date	Awarded/ (Forfeited)	Exercised	Balance 30 June 2017	Fair Value per Option at Award Date*	Expiry Date	Intrinsic Value of Options Exercised/Sold
Directors								
A McEvoy	-	25/10/2016	100,000	-	100,000	$4.11	26/10/2019	-
Total	**-**		**100,000**	**-**	**100,000**	**-**		**-**

Table 7.1

Year End 30 June 2018	Balance 1 July 2017	Grant Date	Awarded/ (Forfeited)	Exercised	Balance 30 June 2018	Fair Value per Option at Award Date	Expiry Date	Intrinsic Value of Options Exercised/Sold
Directors								
A McEvoy	100,000	25/10/2016	-	-	100,000	-	26/10/2019	-
Total	**100,000**		**-**	**-**	**100,000**	**-**		**-**

Table 7.2

*No Options awarded for the period, therefore no Fair Value applicable.

As at 30 June 2018, 100,000 options to KMP remained outstanding. In addition to the above, 200,000 (2017: 200,000) share options, which vested in October 2015 are held by senior staff.

Shareholdings held by KMP

Year end 30 June 2017	Balance 1 July 2016	Exercise of Options	Acquired / (Sold)	Balance 30 June 2017	Amount Paid per Share on Option Exercise
Directors					
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	-
A Staines	-	-	-	-	-
C Smerdon	6,104,500	-	-	6,104,500	-
Other KMP					
D Gauci	10,000	-	-	10,000	-
A Haworth	51,650	-	-	51,650	-
A Muir	-	-	-	-	-
P Victory	83,360	-	4,765	88,125	-
Total	**16,986,279**	**-**	**29,115**	**17,015,394**	**-**

Table 7.3

Year end 30 June 2018	Balance 1 July 2017	Exercise of Options	Acquired / (Sold)	Balance 30 June 2018	Amount Paid per Share on Option Exercise
Directors					
A McEvoy	14,350	-	5,229	19,579	-
J Ellison	5,524,769	-	-	5,524,769	-
T Dodd	5,212,000	-	(176,010)	5,035,990	-
F Hele	10,000	-	-	10,000	-
A Staines	-	-	-	-	-
C Smerdon	6,104,500	-	-	6,104,500	-
Other KMP					
D Gauci	10,000	-	-	10,000	-
A Haworth	51,650	-	(7,205)	44,445	-
A Muir	-	-	-	-	-
P Victory	88,125	-	(28,236)	59,889	-
A Hayes*	-	-	-	-	-
Total	**17,015,394**	**-**	**(206,222)**	**16,809,172**	**-**

Table 7.4
*Appointed 11 September 2017

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 held by 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.

There were no performance rights issued in the 12-month period to 30 June 2018.

The following Performance Rights have been issued to KMP:

Key Management Personnel	Balance 1 July 2017	Awarded/ (Forfeited)	Balance 30 June 2018	Hurdle Price	Issue Date	Fair Value per Performance Right at Award Date	Vesting Date
D Gauci	15,000	-	15,000	$3.20	1/09/2015	$0.62	31/08/2018
P Victory	15,000	-	15,000	$3.20	1/09/2015	$0.62	31/08/2018
A Haworth	15,000	-	15,000	$3.20	1/09/2015	$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	9/01/2017	$1.72	07/01/2020

Table 7.5
* 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.

8. Remuneration Governance

Remuneration and Nominations Committee

The Remuneration and Nominations 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. Specifically, the Board approves the remuneration arrangements of the Managing Director, following recommendations from the Remuneration and Nominations Committee.

The Board also sets the aggregate remuneration of all NEDs, which is then subject to shareholder approval. The Remuneration and Nominations Committee approves, having regard to the recommendations made by the Managing Director, the level of annual performance incentives for KMP or any discretionary bonuses.

The Remuneration and Nominations Committee meets regularly throughout the year. The Managing Director attends certain Remuneration and Nominations 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

Andrea Staines

A Staines
Chair
Remuneration and Nominations Committee
SeaLink Travel Group Limited

Sydney
Date: 21 August 2018

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
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 2018 and of its performance for the year ended on that date; and

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

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

2. This declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2018.

On behalf of the Board

SeaLink Travel Group Limited
Andrew McEvoy
Chair
21 August, 2018

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Continuing Operations			
Revenue	1A (a)	208,246	200,240
Interest income		27	43
Other income	1A (b)	1,163	1,124
Total income		209,436	201,407
Direct Operating Expenses -			
Direct wages		59,744	56,536
Repairs and maintenance		10,367	9,281
Fuel		10,083	7,711
Commission		8,487	7,373
Meals and beverage		11,507	11,085
Accommodation		3,557	4,131
Tour costs		9,335	10,263
Depreciation	1B (b)	11,300	10,345
Other direct expenses		10,226	11,049
Administration Expenses -			
Indirect wages		22,344	20,390
General and administration		14,162	11,347
Marketing and selling		3,578	2,780
Financing charges	1B (a)	3,070	3,239
Amortisation of customer contracts and permits	1B (b)	1,560	1,560
Business acquisition expenses	1B (g)	2,569	-
Total Expenses		181,889	167,090
Profit before tax from continuing operations		27,547	34,317
Income tax expense	1C	7,982	10,485
Profit for the year from continuing operations		**19,565**	**23,832**
Attributable to equity holders of the parent		**19,565**	**23,832**
Earnings per share -			
Basic, profit for the year attributable to ordinary equity holders of the parent		$ 0.193	$ 0.236
Diluted, profit for the year attributable to ordinary equity holders of the parent		$ 0.193	$ 0.235

Notes to and forming part of the financial statements are included on Pages 26 to 50.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME ("OCI")

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Profit for the year		19,565	23,832
Other comprehensive income -			
Net (loss) / gain on cash flow hedge (interest rate swap)		(724)	607
Deferred tax		217	(182)
Net other comprehensive (loss)/gain to be reclassified to Profit & Loss in subsequent financial periods	3C	(507)	425
Total comprehensive income for the year, net of tax		**19,058**	**24,257**
Attributable to equity holders of the parent		**19,058**	**24,257**

Notes to and forming part of the financial statements are included on Pages 26 to 50.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 $'000	2017 $'000
CURRENT ASSETS			
Cash and cash equivalents	2A	3,242	2,923
Trade and other receivables	2B	11,004	10,310
Inventories	2C	4,738	3,403
Current tax asset		6,334	-
Prepayments		2,000	1,958
TOTAL CURRENT ASSETS		27,318	18,594
NON-CURRENT ASSETS			
Property, plant and equipment	2D	210,101	170,787
Intangible assets	2E	55,327	46,188
Other financial assets	2F	3,274	-
Deferred tax assets	2K	4,539	3,894
TOTAL NON-CURRENT ASSETS		273,241	220,869
TOTAL ASSETS		300,559	239,463
CURRENT LIABILITIES			
Trade and other payables	2G	11,952	8,594
Unearned revenue	2I	5,314	5,487
Operating lease liability	2L	-	-
Interest bearing loans and borrowings	2J	1,350	3,060
Current tax liabilities		-	2,020
Other financial liabilities	2L	137	123
Provisions	2H	9,600	7,950
TOTAL CURRENT LIABILITIES		28,353	27,234
NON-CURRENT LIABILITIES			
Unearned revenue	2I	805	977
Interest bearing loans and borrowings	2J	107,187	58,072
Deferred tax liabilities	2K	9,293	4,140
Other financial liabilities	2L	1,050	340
Provisions	2H	1,649	1,017
TOTAL NON-CURRENT LIABILITIES		119,984	64,546
TOTAL LIABILITIES		148,337	91,780
NET ASSETS		152,222	147,683
EQUITY			
Contributed equity	3B	95,557	95,557
Reserves	3C	(36)	322
Retained earnings		56,701	51,804
TOTAL EQUITY		152,222	147,683

Notes to and forming part of the financial statements are included on Pages 26 to 50.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated	Note	CASH FLOW HEDGE RESERVE	CONTRIBUTED EQUITY	RETAINED EARNINGS	SHARE OPTION RESERVE	TOTAL
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016		(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
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	3D	-	-	(13,656)	-	(13,656)
Issue of share capital	3B	-	-	-	-	-
Issue of share options	7D	-	-	-	127	127
Balance at 30 June 2017		(324)	95,557	51,804	644	147,683
Balance at 1 July 2017		(324)	95,557	51,804	644	147,683
Profit for the period		-	-	19,565	-	19,565
Other comprehensive income	3C	(507)	-		-	(507)
Total comprehensive income for the period		(507)	-	19,565	-	19,058
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	3D	-	-	(14,667)	-	(14,667)
Issue of share capital	3B	-	-	-	-	-
Issue of share options	7D	-	-	-	151	151
Balance at 30 June 2018		(831)	95,557	56,701	795	152,222

Notes to and forming part of the financial statements are included on Pages 26 to 50.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		208,288	206,338
Payments to suppliers and employees		(154,671)	(144,178)
Net GST paid		(6,869)	(9,788)
Interest received		27	43
Interest paid		(3,070)	(3,239)
Income tax paid		(15,127)	(23,485)
Net operating cash flows	2A	28,578	25,692
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		659	389
		659	389
Cash was disbursed to:			
Payments for property, plant and equipment		(13,654)	(6,467)
Investment in unlisted entity		(3,274)	
Acquisition of new businesses	7A	(44,728)	-
		(61,656)	(6,467)
Net investing cash flows		(60,997)	(6,079)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		49,350	1,809
Repayment of borrowings		(1,945)	(10,053)
Dividend paid	3D	(14,667)	(13,654)
Net financing cash flows		32,738	(21,898)
Net increase / (decrease) in cash held		319	(2,285)
Cash and cash equivalents at 1 July		2,923	5,208
Cash and cash equivalents at 30 June	2A	3,242	2,923

Notes to and forming part of the financial statements are included on Pages 26 to 50.

INDEX

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

1A INCOME

	2018 $'000	2017 $'000
Revenues from continuing operations -		
(a) Revenue		
Sales revenue	207,872	199,759
Rental income	374	481
	208,246	200,240
(b) Other Income		
Profit on the sale of fixed assets	97	17
Expired bookings and cancellation fees	516	407
Other	550	700
	1,163	1,124

1B EXPENSES

	2018 $'000	2017 $'000
(a) Finance Costs		
Interest expense		
- Borrowings	2,611	2,307
- Leases	180	188
Finance charges	279	744
	3,070	3,239
(b) Depreciation/Amortisation		
Depreciation -		
- Property, plant and equipment	10,996	10,123
- Leased assets	304	222
Total depreciation	11,300	10,345
Amortisation of customer contracts and permits	1,560	1,560
(c) Employee Benefits expense		
Wages and salaries	66,082	63,866
Share based expense	151	127
Other employee benefits / entitlements	3,584	2,795
Superannuation	6,602	6,345
Workers Compensation costs	1,619	1,528
	78,038	74,661
(d) Lease payments in income statement		
Lease and rental expenses	2,993	3,013

(e) Auditor's remuneration

The following total remuneration was received, or is due and receivable, by the auditor Ernst & Young of the parent entity and its affiliates in respect of:

	2018 $'000	2017 $'000
- Auditing the accounts	197	229
- Other services - Assurance and due diligence	-	29
	197	258
(f) Inventory expense		
Costs of inventories recognised as an expense	21,987	18,904
- prior year adjusted due to reclassification		
(g) Acquisition expense		
Costs involved in relation to business acquisitions (stamp duty, legal)	2,569	-

1C TAX EXPENSE

The major components of income tax expense for the years ended 30 June 2018 and 2017 are:

	2018 $'000	2017 $'000
Consolidated statement of profit and loss		
Current tax	7,846	11,633
Deferred tax	102	(1,269)
Under / (over) provision in respect of prior years plus adjustments	34	121
Income tax expense reported in the income statement	7,982	10,485
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised and charged in OCI during the year:		
Net loss / (gain) on revaluation of cash flow hedges	217	(182)

Tax expense reconciliation:

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

	2018 $'000	2017 $'000
Income tax expense calculated at 30% of operating profit	8,264	10,295
Other (entertainment etc)	49	31
Non-deductible expenses (goodwill / share option cost)	45	38
Due to business combination acquisition	460	-
Effect of income that is exempt from taxation	(870)	-
Amounts under / (over) provided in prior years	34	121
Income tax expense reported in the income statement	7,982	10,485

SECTION 1: KEY NUMBERS - STATEMENTS OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME (Cont)

1D OPERATING SEGMENT REPORTING

For management purposes, the Group has four 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;
- SeaLink Fraser Island ("Fraser Island") which offers ferry services, tours on Fraser Island, retail outlets for fuel, food and alcohol, accommodation facilities at Kingfisher Bay Resort and Eurong Beach Resort. Note this is a new segment from aquisition; and
- Corporate (Head Office), which provides finance, administration and risk management support.

The Board and Executive Committee monitors the operating results of each segment 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.

Year ended 30 June 2018

	SA	CCC	QLD	Fraser Island	Corporate	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Internal revenue	6,478	-	980	-	2,871	(10,329)	-
External revenue	64,234	55,213	78,435	11,527	-	-	209,409
Results							
Capital expenditure	2,714	8,471	1,678	791	-	-	13,654
Amortisation of customer contracts	-	156	1,404	-	-	-	1,560
Depreciation	2,551	2,327	5,731	685	6	-	11,300
Segment profit before interest and allocations - continuing operations	18,186	488	22,050	(1,020)	(9,050)	-	30,654
Corporate allocations	(3,226)	(1,086)	(1,722) -	3,016	9,050	-	-
Segment profit before interest and tax - continuing operations	14,960	(598)	20,328	(4,036)	-	-	30,654
Interest income							27
Interest cost and finance charges							(3,070)
Segment profit before tax - continuing operations							27,611

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

Year ended 30 June 2017

	SA	CCC	QLD	Fraser Island	Corporate	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'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

SECTION 1: KEY NUMBERS - STATEMENTS OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME (Cont)

1D OPERATING SEGMENT REPORTING (cont)

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

	SA	CCC	QLD	Fraser Island	Corporate	Eliminations	Consolidated
At 30 June 2018	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating assets	45,501	49,504	142,475	52,198	8	-	289,686
Operating liabilities	120,387	6,781	7,222	4,654	-	-	139,044
At 30 June 2017							
Operating assets	43,710	43,787	148,064	-	8	-	235,569
Operating liabilities	71,317	6,552	7,751	-	-	-	85,620

Reconciliation of assets and liabilities	Consolidated 2018 $'000	Consolidated 2017 $'000
Segment operating assets	289,686	235,569
Current tax asset	6,334	
Deferred tax assets	4,539	3,894
Group total assets	300,559	239,463
Segment operating liabilities	139,044	85,620
Current tax liabilities	-	2,020
Deferred tax liabilities	9,293	4,140
Group total liabilities	148,337	91,780

SECTION 2: KEY NUMBERS - STATEMENT OF FINANCIAL POSITION

2A CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash -

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

	2018 $'000	2017 $'000
Cash	3,069	2,295
Cash on deposit	173	628
Total cash and cash equivalents	3,242	2,923

b) Reconciliation of profit after income tax to net cash provided by operating activities-

Profit for the year after income tax	19,565	23,832
Non-cash items		
Depreciation and amortisation of non-current assets	12,860	11,905
Deferred income	(345)	(172)
Loss / (Profit) on disposal of non-current assets	(75)	(10)
Share option cost	151	125
Changes in net assets and liabilities		
Tax balances increase / (decrease)	(7,362)	(12,818)
Current trade receivables (increase) / decrease	(694)	4,939
Current inventories (increase) / decrease	(1,335)	(249)
Other current assets decrease / (increase)	(42)	(148)
Current trade and other creditors increase / (decrease)	3,573	(1,165)
Employee entitlements increase / (decrease)	2,282	(547)
Net cash provided by operating activities	28,578	25,692

2B TRADE AND OTHER RECEIVABLES - CURRENT

Trade receivables	10,515	10,080
Other	520	254
Allowance for doubtful debts	(31)	(24)
Total trade and other receivables	11,004	10,310

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.

Allowance for doubtful debts-	*Individually Impaired*	*Individually Impaired*
Opening balance	(24)	(52)
Charge for the year	(22)	-
Utilised	15	28
Closing balance	(31)	(24)

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

	Total	*Neither past due or impaired* 0-30 days	*Receivables past due but not impaired.* 31-60 days	*Receivables past due but not impaired.* 61-90 days	*Receivables past due but not impaired.* Over 90 days	*Impaired*
2018 - Consolidated	7,377	6,403	463	250	230	31
2017 - Consolidated	10,080	7,261	1,611	1,061	123	24

2C INVENTORIES

Fuel (at cost)	460	325
Goods held for resale (at cost)	1,508	513
Spare parts	2,770	2,565
Total current inventories	4,738	3,403

SECTION 2: KEY NUMBERS - STATEMENT OF FINANCIAL POSITION (cont)

2D PROPERTY, PLANT AND EQUIPMENT

		2018 $'000	2017 $'000
Land and buildings			
Cost			
Opening balance		20,255	20,170
Additions		297	29
Transfers		-	57
Acquired through business combinations	7A	25,618	-
Disposals		-	(1)
Closing balance		46,170	20,255
Accumulated depreciation			
Opening balance		3,105	2,531
Disposals		-	-
Transfers		-	7
Depreciation for the year	1B (b)	639	567
Closing balance		3,744	3,105
Total land and buildings, net		42,426	17,150
Plant and equipment			
Cost			
Opening balance		20,689	20,438
Transfers		(12)	258
Transfer from capital works-in-progress		-	-
Acquired through business combinations	7A	8,526	-
Additions		1,652	1,088
Disposals		(762)	(1,095)
Closing balance		30,093	20,689
Accumulated depreciation			
Opening balance		8,151	7,331
Transfers		-	106
Depreciation for the year	1B (b)	2,099	1,527
Disposals		(588)	(813)
Closing balance		9,662	8,151
Total plant and equipment, net		20,431	12,538
Plant and equipment under lease			
Cost			
Opening balance		2,290	750
Additions		1,012	1,984
Transfers		-	(365)
Disposals		-	(79)
Closing balance		3,302	2,290
Accumulated depreciation			
Opening balance		215	140
Depreciation for the year	1B (b)	304	222
Transfers		-	(122)
Disposals		-	(25)
Closing balance		519	215
Total leased plant and equipment, net		2,783	2,075
Ferries			
Cost			
Opening balance		173,052	168,089
Additions		4,070	675
Acquired through business combinations	7A	3,400	-
Transfers from capital works-in-progress		4,381	4,333
Disposals		(668)	(45)
Closing balance		184,235	173,052
Accumulated depreciation			
Opening balance		34,028	25,988
Depreciation for the year	1B (b)	8,258	8,029
Transfers		0	14
Disposals		(256)	(3)
Closing balance		42,030	34,028
Total ferries, net		142,205	139,024

SECTION 2: KEY NUMBERS - STATEMENT OF FINANCIAL POSITION (cont)

2D PROPERTY, PLANT AND EQUIPMENT (cont)

	Note	2018	2017
Capital works-in-progress		$'000	$'000
Opening balance		-	1,580
Additions		6,623	2,753
Transfers to ferries		(4,367)	(4,333)
Closing balance - as described below		2,256	-
Total property, plant and equipment, net		210,101	170,787

At 30 June 2018, there were two vessels under construction, three bus re-builds and the fitout for the new corporate office in Adelaide.
At 30 June 2017, there were no capital works in progress. Refer also to Note 6A for capital commitments.

2E INTANGIBLE ASSETS

	Note	2018	2017
Goodwill - at cost			
Cost			
Opening balance		40,429	40,429
Additions through business combinations	7A	7,500	-
Closing balance		47,929	40,429
Accumulated Impairment			
Opening and closing balance		(129)	(129)
Total goodwill		47,800	40,300
Customer contracts and permits			
Opening balance		5,888	7,448
Additions through business combinations		3,199	-
Closing balance - at cost		9,087	7,448
Less - amortisation during the period		(1,560)	(1,560)
Total customer contracts		7,527	5,888
Total intangible assets, net		55,327	46,188

Goodwill acquired through business acquisitions has been allocated to KI Odysseys ($209,000), SeaLink Queensland ($6,420,000), Australian Holiday Centre Sydney ($129,000), Captain Cook Cruises WA ($3,590,000), Transit Systems Marine business ($30,081,000) and Fraser Island ($7,500,000) 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 and Fraser Island Group, is not deductible for income tax purposes. The Group performed its annual impairment test at 30 June 2018.

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 rate 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% (2017:11.0%) 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 any of the 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 1.5% in traffic as well as a 2% pricing increase based on increased tourism flow and growth from Elizabeth Quay and 7% growth in the Rottnest Island operation.
* *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 capital expenditure has been assumed for all CGU's.

Management have assessed the changes to the key assumptions in the model, unless there was a large unforeseeable event, there would not be an impairment in goodwill for any of the CGU's other than CCC-WA. A 30% reduction in the assumed revenue growth rate for CCC WA would need to occur to trigger a possible impairment of goodwill.

Customer Contracts and permits
Customer contracts of $7.4m 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 finite life.
The amortisation period ranges between 5 and 7 years.
As part of the Fraser Island acquisition, touring and access permits were acquired with a fair value of $3.2m.

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.

SECTION 2: KEY NUMBERS - STATEMENT OF FINANCIAL POSITION (cont)

2F OTHER FINANCIAL ASSETS

	2018 $'000	2017 $'000
Investment in Uwai Limited (i)	3,274	-

(i) Represents the investment in Uwai Limited.
On 19 March 2018, SeaLink entered into a Simple Agreement for Future Equity ("SAFE") with Uwai Limited for USD$2.5m.
The SAFE contains a debt host instrument and embedded derivative, this has been treated as a hybrid contract at fair value through profit and loss.

2G TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Current (all unsecured)		
Trade creditors (i)	5,790	4,337
Sundry payables and accruals	6,162	4,257
Total current trade and other payables	11,952	8,594

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

2H PROVISIONS

	2018 $'000	2017 $'000
Current		
Employee entitlements	9,600	7,950
Non-Current		
Employee Entitlements	1,649	1,017

2I UNEARNED REVENUE

	2018 $'000	2017 $'000
Current		
Deferred income - Government grant	172	172
Prepaid travel (a)	5,142	5,315
Total current unearned revenue	5,314	5,487
Non-Current		
Deferred income - Government grant	805	977
Total non-current unearned revenues	805	977

(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 2018 (2017: 1 July 2017).

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 (2017:$171,639).

2J INTEREST BEARING LOANS AND BORROWINGS

	2018 $'000	2017 $'000
Current		
Secured:		
Bank and other loans (i)	-	-
Lease liabilities (ii) (Note 6A)	1,350	3,060
Total current interest bearing liabilities	1,350	3,060
Non-Current		
Secured:		
Bank and other loans (i)	104,050	54,700
Lease liabilities (ii) (Note 6A)	3,137	3,372
Total non-current interest bearing liabilities	107,187	58,072

(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 $123.0m with ANZ which matures 30 November 2019.
The current facility limit will reduce by $5m by June 2019. This limit is reviewed annually.
As part of the interchangeable facility with ANZ, $15m has been allocated for hire purchase and lease facilities.

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

(ii) Secured over the assets leased. Leases are fixed rate with a lease term of between 48 and 60 months.
Committed financing facilities of $134,339,598 (2017: $94,605,008) were available to the consolidated entity at the end of the financial year. As at that date, $109,987,903 (2017: $62,569,349) of these facilities were in use.

Interest bearing loans and borrowings have a fair value of $108,545,613 (2017: $61,129,902) and a carrying value of $108,537,239 (2017: $61,147,799).

During the year, interest bearing borrowings of $1,945,000 were repaid from funds raised through cashflow from operations. No drawdowns were made.

SECTION 2: KEY NUMBERS - STATEMENT OF FINANCIAL POSITION (cont)

2J INTEREST BEARING LOANS AND BORROWINGS (cont)

Reconciliation of debt to financing cashflows	1 July 2017 $'000	Cashflows $'000	New Leases $'000	30 June 2018 $'000
Current Interest-bearing loans and borrowings	-	-	-	-
Current obligations under lease/hire purchase	3,060	(1,710)	-	1,350
Non-current Interest-bearing loans and borrowings	54,700	49,350	-	104,050
Non-current obligations under lease/hire purchase	3,372	(235)	-	3,137
Total liabilities from financing activities	61,132	47,405	-	108,537

2K DEFERRED TAX

Deferred income tax at 30 June relates to the following:	Statement of Financial Position		Statement of Profit and Loss	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
CONSOLIDATED				
Deferred tax assets				
Provision for doubtful debts	9	7	(6)	(9)
Government grants	-	345	(345)	(51)
Prepaid Revenue	293		293	
Accruals	41	10	31	(23)
Capital expense timing differences	464	417	47	(194)
Revaluation of cash flow hedge (interest rate swap)	357	139	-	-
Property, Plant & Equipment	-	286	(286)	-
Employee entitlements	3,375	2,690	65	(164)
Total deferred tax assets	4,539	3,894		
Deferred tax liabilities				
Property, Plant & Equipment	7,774	2,259	(333)	(701)
Receivables	-	-	-	1,945
Intangible Assets	1,298	1,766	468	468
Consumables	166	115	(17)	(2)
Prepayments	55		(19)	
Total deferred tax liabilities	9,293	4,140		
Deferred income tax expense			(102)	1,269

2L OTHER FINANCIAL LIABILITIES

Derivative designated as hedging instrument		
Current		
Interest rate swap	137	123
Non-current		
Interest rate swap	1,050	340

Refer Note 4B for details.

SECTION 3: CAPITAL

3A 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 2018, the gearing ratio was 45.9% (2017: 31%).

3B EQUITY

	Contributed Equity		No. of Shares on Issue	
	2018	2017	2018	2017
Issued and fully paid ordinary shares (all issued shares fully paid)-	$'000	$'000	000's	000's
Opening balance	95,557	95,557	101,154	101,154
Conversion of options (refer Note 7D)	-	-	-	-
Issue of shares through a Share Placement	-	-	-	-
Issue of shares through a Share Purchase Plan	-	-	-	-
Issue of shares as purchase consideration (refer Note 7A)	-	-	-	-
Deferred tax associated with share issue expenses	-	-	-	-
Total	95,557	95,557	101,154	101,154

3C RESERVES

Share Option Reserve	2018	2017
Opening balance	644	519
Share option expense	151	125
Closing balance	795	644

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).

Cash flow hedge reserve	2018	2017
Opening balance	(324)	(749)
Revaluation of interest rate hedge (refer Note 4B)	(507)	425
Closing balance	(831)	(324)
Total reserves	(36)	320

3D DIVIDENDS

	2018	2017
Dividends on ordinary shares declared and paid during the period:		
Interim dividend for 2018: 6.5 cents (2017: 6.0 cents)	6,575	6,067
Final dividend for 2017: 8.0 cents (2016: 7.5 cents)	8,092	7,587
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 June):		
Final dividend for 2018: 8.0 cents (2017: 8.0 cents)	8,092	8,092

Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year	27,029	25,009
Franking credits that will arise from (be utilised in) the payment of income tax as at the end of the financial year.	-	2,020
	27,029	27,029

SECTION 3: CAPITAL (cont)

3E EARNINGS PER SHARE

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

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

	2018 $'000	2017 $'000
Net profit attributable to ordinary equity holders of the parent and for basic earnings and adjusted for the effect of dilution	19,565	23,832
	000's	000's
Weighted average number of ordinary shares for basic earnings per share	101,154	101,154
Effect of dilution from share options and performance rights	200	200
Weighted average number of ordinary shares adjusted for dilution	101,354	101,354

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

Earnings per share -

		2018		2017
Basic, profit for the year attributable to ordinary equity holders of the parent	$	0.193	$	0.236
Diluted, profit for the year attributable to ordinary equity holders of the parent	$	0.193	$	0.235

SECTION 4: RISK

4A 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 for the purposes of hedging interest rate and fuel price risk.

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 2018, 55% of the Group's interest bearing borrowings are effectively at a fixed rate of interest (2017: 55%).

The sensitivity analyses in the following sections relate to the position as at 30 June 2018 and 30 June 2017. 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 2018. The table below sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	Weighted Ave. Effective Interest Rate		Within 1 year		1 to 5 years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial Assets			$'000	$'000	$'000	$'000	$'000	$'000
Floating Rate								
Cash Assets (i)	0.3%	0.4%	3,242	2,923	-	-	3,242	2,923
Financial assets (ii)	1.5%	-	-	-	3,274	-	3,274	-
Financial Liabilities								
Floating Rate								
Overdraft (i)	3.50%	3.50%	-	-	-	-	-	-
Cash advance (i)	3.54%	3.54%	-	-	74,050	24,700	74,050	24,700
Fixed Rate								
Cash advance (i)	3.93%	3.93%	-	-	30,000	30,000	30,000	30,000
Leases (ii)	3.69%	4.47%	1,350	3,060	3,137	3,372	4,487	6,432
Net Exposure			1,892	(137)	(103,913)	(58,072)	(102,021)	(58,209)

(i) classified at fair value through Profit and Loss
(ii) classified at amortised cost

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 -

	PROFIT EFFECT		EQUITY EFFECT	
	Consolidated	Consolidated	Consolidated	Consolidated
Judgement of reasonably possible movements -	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Movement of 0.5% increase in rates	(364)	(86)	(108)	429
Movement of a 1% decrease in rates	728	173	(1,306)	(900)

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 2018. A 12 month fuel hedge is in place commencing 1 July 2018.

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 other financial assets) 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.

SECTION 4: RISK (cont)

4A FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont)

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.

The table below sets out the maturity profile of the Group's financial liabilities based on contracted undiscounted payments.
Estimated variable interest expense is based upon the rate applying as at 30 June 2018.

Year ended 30 June 2018	**On demand**	**0 - 3 months**	**3 -12 months**	**1-5 years**	**TOTAL**
	$'000	$'000	$'000	$'000	$'000
Interest-bearing loans and borrowings	-	911	2,731	104,050	107,692
Trade and other payables	-	11,952	-	-	11,952
Other financial liabilities	-	-	-	338	338
Financial guarantee contracts	1,550	-	-	-	1,550
Leases/hire purchase	-	403	946	3,522	4,871
TOTAL	**1,550**	**13,267**	**3,677**	**107,910**	**126,403**

Year ended 30 June 2017	**On demand**	**0 - 3 months**	**3 -12 months**	**1-5 years**	**TOTAL**
Interest-bearing loans and borrowings	-	606	1,818	69,254	71,678
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
TOTAL	**1,409**	**9,964**	**4,113**	**73,472**	**88,958**

4B 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 May 2018 at a rate of 2.74% 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 $822,000 was recorded as a financial liability with the associated tax effect forming part of Deferred Tax Asset. The net difference of $506,000 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.

SECTION 5: ACCOUNTING POLICIES

5A BASIS OF PREPARATION

The consolidated financial statements for the year ended 30 June 2018 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.

5B 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 if the hedge relationship is 100% effective. Otherwise any fair value adjustment is recognised through Profit and Loss.

(c) Inventories

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

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

(d) Taxes

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

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

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

* when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; or

* when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint 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.

SECTION 5: ACCOUNTING POLICIES (cont)

5B SIGNIFICANT ACCOUNTING POLICIES (cont)

(d) Taxes (cont)

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.

(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.

SECTION 5: ACCOUNTING POLICIES (cont)

5B SIGNIFICANT ACCOUNTING POLICIES (cont)

(f) Business combinations and goodwill (cont)

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 circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(g) Employee benefits

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

Expenses incurred and capitalised into capital work-in-progress includes all materials used and direct labour incurred on the project. Capital work-in-progress is transferred into property, plant and equipment and begun to be depreciated once the asset is available for use by the group.

SECTION 5: ACCOUNTING POLICIES (cont)

5B SIGNIFICANT ACCOUNTING POLICIES (cont)

(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 receivables 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.

SECTION 5: ACCOUNTING POLICIES (cont)

5B SIGNIFICANT ACCOUNTING POLICIES (cont)

(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.

SECTION 5: ACCOUNTING POLICIES (cont)

5B SIGNIFICANT ACCOUNTING POLICIES (cont)

(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.

5C 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 2017. For the year ended 30 June 2018, the Group has not yet adopted AASB 15. Revenue from contracts with customers dealing with agent versus principal transactions. The impact on the Group's Financial Statements if had adopted would be a reduction in revenue of $5,193,000 and a reduction in direct operating costs of $4,633,000.

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

5D 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 2018 are outlined in the table as follows:

Reference	***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 and the impact is disclosed in Note 5C.	1 January 2018	1 July 2018

SECTION 5: ACCOUNTING POLICIES (cont)

5D ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont)

Reference	*Title*	*Summary*	*Application Date of Standard*	*Application Date for Group*
AASB 9	Financial Instruments	AASB 9 includes a logical model for classification and measurement, a single forward looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. The new standard requires entities to account for expected credit losses from when the financial instruments are first recognised and to recognise full lifetime losses on a more timely basis. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. 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
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	The key features of AASB 16 are as follows: **Lessee accounting** • 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. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • 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. • AASB 16 contains disclosure requirements for lessees. **Lessor accounting** • 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. • 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.	1 January 2019	1 July 2019

SECTION 5: ACCOUNTING POLICIES (cont)

5E 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	2018 Carrying Amount $'000	2018 Net Fair Value $'000	2017 Carrying Amount $'000	2017 Net Fair Value $'000
Financial Assets				
Cash	3,242	3,242	2,923	2,923
Other financial assets	3,274	3,274	-	-
Trade and other receivables	11,004	11,004	10,310	10,310
Financial Liabilities				
Bill facilities	104,050	104,050	54,700	54,700
Other loans	-	-	-	-
Interest rate swap	1,187	1,187	463	463
Lease and hire purchase	4,487	4,496	6,432	6,448
Trade and sundry creditors	11,952	11,952	8,594	8,594

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.

SECTION 6: COMMITMENTS AND CONTINGENCIES

6A COMMITMENTS

	30 June 2018 $'000	30 June 2017 $'000
a) Capital commitments -		
Vessels and buses	1,542	-
Other	712	
	2,254	-
b) Commitments under non-cancellable operating leases:		
Not later than one year	3,436	2,357
Later than one year but not later than five years	9,258	6,096
Later than five years	2,866	2,217
	15,560	10,670
c) Finance lease commitments -		
Not later than one year	1,350	3,060
Later than one year but not later than five years	3,522	3,843
Minimum lease payments	4,872	6,903
Future finance charges	(385)	(471)
Net finance lease liability	4,487	6,432
Included in Interest Bearing Loans and borrowings (Note 2J) as -		
Current liability	1,350	3,060
Non-current liability	3,137	3,372
	4,487	6,432

d) Operating lease commitments — SeaLink as lessor
The Group has a number of vessels on lease arrangements with several marine operators and a property 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 -

	30 June 2018 $'000	30 June 2017 $'000
Within one year	1,546	2,749
After one year but not more than five years	-	1,440
	1,546	4,189

6B CONTINGENCIES

There were no contingencies of material note as at 30 June 2018 (2017: Nil).

6C EVENTS AFTER THE REPORTING PERIOD

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 21 August 2018 to be paid 3 October 2018. 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.

SECTION 7: OTHER

7A BUSINESS COMBINATIONS

Acquisitions in the year ended 30 June 2018

Acquisition of Kingfisher Bay Resort Group - Fraser Island
On 26th March, 2018, the Group acquired 100% of the Queensland based resort, tourism and marine business formerly owned by Cosmos. The acquisition involved the purchase of shares in various entities as well as the acquisition of properties on Fraser Island, Queensland.
Kingfisher Bay resort Group business ("Fraser Island") consists of the following -

* Ferry operations operating to Fraser Island from Hervey Bay,
* Resort accommodation and related facilities located at Kingfisher Bay on Fraser Island,
* Resort accommodation and related facilities located at Eurong Beach on Fraser Island,
* Day touring and coach operations;
* Freehold residential land and development land located on Fraser 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 Fraser Island for the period from 26 March 2018 until 30 June, 2018.

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

	Note	**Fair Value recognised on acquisition $'000**
Assets		
Cash and cash equivalents		2,995
Trade and other receivables		2,600
Inventories		1,298
Prepayments		421
Property, plant and equipment		37,544
Permits	2E	3,199
Deferred tax asset		788
		48,845
Liabilities		
Trade and other payables		3,755
Unearned revenue		383
Interest bearing loans and borrowings		-
Operating lease liability		-
Current tax liabilities		-
Provisions		2,069
Deferred tax liabilities		5,410
		11,617
Total identifiable assets at fair value		37,228
Goodwill arising on acquisition	2E	7,500
Purchase Consideration transferred		**44,728**
This consisted of -		
Shares issued at fair consideration		-
Cash paid		44,728
Total purchase consideration		**44,728**

There was no contingent consideration.

The fair value of vessels included in Property, Plant and Equipment is $34.9m. These are based on external valuations and internal assessment.
The Deferred Tax Asset mainly comprises the tax effect on employee provisions.
The Deferred Tax Liability mainly arises as resort land & buildings have been recognised as being "held for use", and as such do not have an amortisable tax base for reporting purposes. Were the asset ever sold by the Group the capital gains tax cost base would be recognised at that point in determining any tax implications.
The amounts disclosed above for Property Plant and Equipment, Deferred Tax Liabilities and Goodwill are provisional pending finalisation.

Goodwill
The majority of goodwill relates to the Kingfisher Bay Resort and associated tourism activities, none of which is expected to be deductible for income tax purposes. Goodwill represents the expected future return over and above the fair value of net assets acquired.

From the date of acquisition, Fraser Island has contributed $11.5m to revenue and $1.0m loss 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 $58.2m and EBITDA from continuing operations for the Group would have been $7.9m.
The profit before tax achieved in the first 9 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.
The vendor's unaudited accounts were reviewed in detail as part of management's due dilligence process.

7A BUSINESS COMBINATIONS (Cont.)

	$'000
Additional cash flows on acquisition:	
Transaction costs of the acquisition (included in cash flows from Operations)	(2,569)
Transaction costs associated with issuance of shares	-
Total additional cash flows on acquisition	**(2,569)**

7B CORPORATE INFORMATION

The consolidated financial statements of the SeaLink Travel Group Limited for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of Directors on 21 August 2018.

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.

7C INFORMATION RELATING TO SEALINK TRAVEL GROUP LIMITED ('the parent entity')

	2018 $'000	2017 $'000
Current Assets	-	-
Non-current Assets	82,687	94,107
Total Assets	82,687	94,107
Current Liabilities / (Asset)	(14,344)	(3,657)
Non-current Liabilities	2,206	2,207
Total Liabilities / (Asset)	(12,138)	(1,450)
Net Assets	94,825	95,557
Contributed equity	95,557	95,557
Reserves	795	644
Retained profits	(1,527)	(644)
Total Parent Equity	94,825	95,557
Profit or loss of the parent entity	14,667	13,531
Total comprehensive income of the parent entity	14,667	13,531

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

7D SHARE OPTION PLANS

(a) Recognised share-based payment expenses;		
Expense arising from options issued in 2015	-	7
Expense arising from performance rights issued in 2016	14	15
Expense arising from options issued in 2017	137	91
Expense arising from performance rights issued in 2017	-	14
Total expense	151	127

(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.

7D SHARE OPTION PLANS (cont.)

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

7D SHARE OPTION PLANS (cont)

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	2018		2017	
	Number ('000's)	**WAEP**	**Number ('000's)**	**WAEP**
Outstanding at the beginning of the year	300	1.67	200	1.67
Granted (under the Employee Share Option Plan)	-	$Nil	100	$Nil
Forfeited	-	n/a	-	n/a
Exercised	-	n/a	-	n/a
Outstanding at year end	300	1.67	300	1.67

The outstanding balance is represented by -	Type	2018	2017
	ESOP	200	200
	Directors	100	100
		300	300

No ordinary shares were issued during the year as a result of conversion of share options (2017: Nil).

Performance rights	2018		2017	
	Number ('000's)	**WAEP**	**Number ('000's)**	**WAEP**
Outstanding at the beginning of the year	280	n/a	85	n/a
Granted (under the Employee Share Option Plan)	-	$Nil	205	$Nil
Forfeited	(15)	$Nil	(10)	$Nil
Exercised	-	n/a	-	n/a
Outstanding at year end	265	$Nil	280	$Nil

7E RELATED PARTY TRANSACTIONS

(a) Names and positions held of key management personnel in office at any time during the financial year are:

Directors -	
Mr A McEvoy	Chairman – (non-executive)
Mr J Ellison	Managing Director and Chief Executive Officer
Mr C Smerdon	Director – (non-executive)
Mr T Dodd	Director – (non-executive)
Mrs A Staines	Director – (non-executive)
Mrs F Hele	Director – (non-executive)
Other Key Management Personnel -	
Ms D Gauci	General Manager, SeaLink South Australia
Mr A Hayes	Chief Operating Officer, - Appointed 11 September 2017
Mr A Muir	Chief Financial Officer
Mr A Haworth	General Manager, Captain Cook Cruises
Mr P Victory	General Manager, SeaLink Queensland

(b) Transactions with related parties

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

- Purchases and services totalling $33,308 from Vectra Corporation Ltd, a company associated with Mr C Smerdon (2017: $44,840);
- Purchases and services totalling $Nil from Pacific Marine, a company associated with Mr T Dodd (2017: $141,060);
- Mr A McEvoy became a Co-Founder of UWAI in December 2017. An investment of $3.274m was made by the company and is disclosed in Note 2F.

7E RELATED PARTY TRANSACTIONS (cont)

(c) Key Management Personnel Remuneration

	2018 $'000	2017 $'000
Short-Term	2,472	2,135
Post employment	176	177
Other long-term benefits - LSL	50	44
Termination Benefits	-	-
Share-based payment	105	105
	2,803	2,461

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.

7F RELATED BODIES CORPORATE

The following subsidiaries are incorporated in Australia and are all 100% owned -

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

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Independent Auditor's Report to the Members of SeaLink Travel Group Limited

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 2018, 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 2018 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	How our audit addressed the key audit matter
The Group annually assesses the carrying value of goodwill as required by Australian Accounting Standards. The Group prepared value in use calculations to determine the recoverable amount of the individual cash generating units to which the goodwill was allocated. This was considered a key audit matter due to the judgment exercised by the Group in this calculation which involved consideration of the following: ► estimation of future cash flows expected to be derived from the respective assets; ► expectations about possible variations in the amount or timing of cash flows; ► appropriate discount rates, 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. In particular the Captain Cook WA CGU has underperformed against budget expectations predominantly in light of the start-up nature of the Rottnest Island services, requiring more focus on the cash flows and assumptions for this CGU. Refer to note 2E to the financial report for related disclosure.	Our audit procedures included the following: ► Agreed the projected cash flows for 2019 to Board approved budgets. ► Tested the mathematical accuracy of the cash flow models. ► 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 historical accuracy of the Group's 5 year cash flow forecasts; ► Involved our valuation specialists to assess the discount rates, growth rates and terminal values used in the models. ► Compared the recoverable amount calculated within the value in use models to the carrying value recorded at 30 June 2018. ► Considered the relationship between market capitalisation and net assets of the Group. ► Performed sensitivities over the forecasts and key estimates in each of the impairment models that include growth rates, discount rates and budget accuracy. ► Considered the adequacy of the related financial report disclosures.

Carrying value of ferries

Why significant	How our audit addressed the key audit matter
The Group carries owned ferries at cost less accumulated depreciation and any accumulated impairment losses. This was considered a key audit matter due to the value of ferries relative to total assets together with the judgment involved in assessing the residual values of the ferries. Refer to note 2D to the financial report for related disclosure.	Our audit procedures included the following: ► Analysed the performance of each ferry to determine whether any indications of impairment were present in accordance with Australian Accounting Standards. ► Assessed recorded depreciation for each ferry taking into account remaining useful life and the expected residual value determined by the Group and the external experts involved in these assessments. ► Assessed the residual values of ferries through consideration of the Group's evaluation of market information for similar assets. ► Involved our valuation specialists to assess the carrying value of the ferries and to review the valuation methodology used by the Group. ► Analysed the planned and actual utilisation of each ferry. We also assessed the impact of customer contracts associated with the planned usage and the Group's plan for each ferry. ► Where carrying values of ferries were supported by third party valuations of ferries, we assessed the competence, capability and objectivity of the third party valuers used by the Group and evaluated the appropriateness of their work to support the recorded valuations.

Acquisition of Kingfisher Bay Resort

Why significant	How our audit addressed the key audit matter
The acquisition of Kingfisher Bay Resort was a key audit matter due to the size and complexity of the transaction. It involved judgement to be exercised by the Group in identifying and allocating the purchase consideration to the value of assets and liabilities acquired. Refer to note 7A to the Financial Statements for further detail.	Our audit procedures included the following: ► Considered the terms of the acquisition agreement in assessing the acquisition accounting. ► Examined the assumptions used in identifying and determining the fair value of the assets and liabilities acquired. ► Agreed assigned values to valuation reports the Group obtained from third party experts for ferries and property acquired. ► We assessed the competence, capability and objectivity of the third party valuation experts used by the Group and evaluated the appropriateness of their work to support the recorded valuations. ► Considered whether the Group appropriately identified customer contracts to be recognised as intangible assets and involved our valuation specialists to evaluate the methodology and model used by the Group to determine the fair value of these assets. ► Involved our tax specialists to assess the tax effects of the acquisition accounting determined by the Group. ► Assessed the adequacy of the disclosures included in the financial report related to the acquisition of Kingfisher Bay Resort.

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 2018 Annual Report other than the financial report and our auditor’s report thereon. We obtained the Directors’ Report that is to be included in the Annual Report, prior to the date of this auditor’s report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor’s report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 on the other information obtained prior to the date of this auditor's report, 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 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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 19 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of SeaLink Travel Group Limited for the year ended 30 June 2018, 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.

Ernst & Young

Nigel Stevenson
Partner

Adelaide
21 August 2018

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

As lead auditor for the audit of SeaLink Travel Group Limited for the financial year ended 30 June 2018, 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
21 August 2018