SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
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FINANCIAL REPORT AND APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
ASX APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET
Results in brief

	Normalised Results #			Statutory Results		
	Consolidated SeaLink			Consolidated SeaLink		
	Change from Period Ended 31 Dec			Change from Period Ended 31 Dec		
	2018 $M	2017 $M	Change %	2018 $M	2017 $M	Change %
Revenue from Ordinary Activities	130.4	98.7	32.1%	130.4	98.7	32.1%
EBITDA (excl significant items)	**25.7**	**23.8**	7.8%	**25.6**	**23.8**	7.6%
One-off costs						
Acquisition related costs (Fraser Island)^	-	-	n/a	(0.1)	-	n/a
Depreciation	(6.9)	(5.3)	29.5%	(6.9)	(5.3)	30%
Amortisaion	(1.0)	(0.8)		(1.0)	(0.8)	
EBIT	**17.8**	**17.7**	0%	**17.6**	**17.7**	(0.5%)
Interest	(2.2)	(1.4)	57.1%	(2.2)	(1.4)	57.1%
Net Profit Before Tax attributable to the members of SeaLink Travel Group Limited	15.6	16.3	(4.6%)	15.5	16.3	(4.9%)
Tax	(2.5)	(5.0)	(50.0%)	(2.5)	(5.0)	(50.0%)
Profit After Tax	**13.1**	**11.3**	15.6%	**13.0**	**11.3**	15.0%

 # Normalised Results have been adjusted for significant one off items for the period 31 December 2018
^ Costs associated with the acquisition of Fraser Island including legal, accounting, tax and other professional costs

Dividends

The Company is pleased to announce an Interim Dividend in line with last year as follows:

	Amount per Share (Cents)	100% Franked Amount per Share (Cents)
31 December 2018		
Interim Dividend	6.5	6.5
30 June 2018		
Interim Dividend	6.5	6.5
Final Dividend	8.0	8.0

1. The record date for determining entitlements to the interim dividend of 6.5 cents per share is 19 March 2019. The payment date for the interim dividend is 2 April 2019.
2. Final dividend of 8.0 cents per share for the year ended 30 June 2018 was declared 21 August 2018.

Net tangible assets

	Dec 2018 $	**Dec 2017 $**
Net tangible asset backing per ordinary share	1.06	1.05

The report is based on accounts which have been reviewed by the auditor of SeaLink Travel Group Limited. There have been no matters of disagreement and a report of its review appears in the half-yearly financial report. This report should be read in conjunction with the Statutory Accounts for the year ended 30 June 2018.

Signed:

A J McEvoy
Chair
18 February 2019

The Board of Directors of SeaLink Travel Group Limited has pleasure in submitting its report for the half-year ended 31 December 2018.

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

Andrew J. McEvoy - (B. Arts, MA Int. Comms.) - Chair
Jeffrey R. Ellison - (B. Acc., FCA, FAICD) - Managing Director and Chief Executive Officer
Christopher D. Smerdon - (MAICD)
Terry J. Dodd
Andrea J.P Staines - (B. Ec., MBA Finance)
Fiona A. Hele - (B. Com., FCA, FAICD)

Company Secretary
Joanne McDonald (LLB, B.Ec.) and Andrew Muir (B.Ec., MBA).

Review of operations and results

Result Overview
SeaLink Travel Group Limited (SeaLink) recorded a Net Profit after Tax (NPAT) of $13.0m compared to $11.3m for the previous corresponding half.

Total income for the half was $130.4m, up $31.7m or 32.1% as a result of improved sales on our core business plus the inclusion of Fraser Island and a new service to Bruny Island.

The 2018/19 first half-year results were impacted by the ongoing losses associated with the two new ferry services that commenced in the last 12 months namely Manly to Barangaroo in Sydney and Fremantle to Rottnest Island in Western Australia, ongoing softness in the Western Australian market, softness in the tourism sector in New South Wales and the anticipated major out of water servicing of the primary vessel in South Australia.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was up 7.6% to $25.6m compared to an EBITDA of $23.8m for the December 2017 half-year.

SeaLink Queensland & Northern Territory (excluding Fraser Island) performed better than last year, recording an EBITDA before allocations of $14.7m compared to $14.2m for the corresponding period last year. The Queensland operations continued to experience strong growth in the Stradbroke Island, Townsville and Darwin operations.

EBITDA for the Captain Cook Cruises business (NSW and WA) unit was disappointing decreasing by $2.0m to $0.6m primarily as a result of trading losses associated with new ferry services, continuing difficult economic conditions in Western Australia, a general softening across some international markets and a tightening of domestic consumer spending.

SeaLink South Australia's operations were impacted by disruptions to services to Kangaroo Island due to unseasonal weather in December 2018, the out of water maintenance and survey for the *MV Spirit of Kangaroo Island* and a slight decline in results from the *PS Murray Princess* compared with the prior year. EBITDA for the half year decreased by $0.4m to $9.6M.

The newly acquired Fraser Island operations which were acquired in March 2018 performed well and traded in line with expectations, delivering an EBITDA of $5.4m for the half. In addition, the new Bruny Island service which commenced operations in September 2018 provided a positive contribution after one off set up costs and is slightly ahead of initial expectations.

SeaLink Directors today declared a fully franked interim dividend of 6.5 cents per share (2017/18 interim dividend 6.5 cents per share) the same as last year payable on 2 April 2019.

Review of Operations

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

- Total income of $130.4m, up $31.7m or 32.1%
- Net Profit After Tax of $13.0m, up $1.7m or 15.0%
- Strong Net Operating Cashflow of $28.9m, up $11.2m or 63.2%
- Net debt reduced by $12.5m or 11.8%
- Successful integration and trading results from the Fraser Island operations acquired in March 2018
- Successful commencement in September 2018 of a 10+10 year contract to provide ferry services to Bruny Island in Tasmania providing a positive contribution during the period
- Renewal of TransLink contract in South East Queensland
- Delivery of two "Tubby Class" commuter ferries for Sydney Harbour
- Commencement of construction of two new vessels for Bruny Island and Sydney Harbour
- Completion of major mid-life refurbishment and 15 year survey on the *MV Spirit of Kangaroo Island*

SeaLink South Australia – (including PS Murray Princess and Bruny Island in Tasmania)

Revenue for the first half was broadly in line with last year. Vehicle numbers and freight to Kangaroo Island showed ongoing growth for the half but passenger numbers were flat. A new passenger only competitor commenced operations on the service but is not having a material impact on passenger numbers.

There was some unseasonal weather in December 2018 which resulted in the loss of two full days of operation on the Kangaroo Island service and this resulted in a reduction in profit for the month during what is normally one of the busiest times of the year.

Vessel repairs and maintenance expenditure was higher than the same period last year due to the major scheduled 15 year refurbishment and survey works on the main Kangaroo Island freight vessel *MV Spirit of Kangaroo Island*. This project was delivered under budget and on time.

Accommodation revenue on the *PS Murray Princess* was down 2% due to increased discounting to increase occupancy in the quieter winter months.

As a result of reduced contributions from the *PS Murray Princess*, Kangaroo Island Ferry and Kangaroo Island based tours, the overall business segment EBITDA decreased by 4.5% to $9.5m before corporate allocations compared to the same period last year.

The South Australian Government announced in November 2018 that they intended to seek tenders for the operation of passenger ferry and transport services to Kangaroo Island when SeaLink's current licence expires in July 2024. We believe SeaLink is well positioned to win this tender given its performance on the route over the last 20 years.

On 23 September 2018, we commenced ferry services from the Tasmanian mainland to Bruny Island and since that time have carried more than 49,000 vehicles. A permanent operational base has been established which currently employs 30 staff. We have entered into a contract with a local Tasmanian ship builder to construct the first of two new passenger and car ferries for the service. The first vessel is due to be delivered in December 2019.

Fraser Island, Queensland

The newly acquired Fraser Island operations which were acquired in March 2018 performed well and traded in line with expectations delivering an EBITDA of $5.4m for the half. Forward bookings for the business have remained strong into January 2019 and February 2019.

The highlight of the period was the royal visit by their Royal Highnesses the Duke & Duchess of Sussex in late October 2018. This generated excellent domestic and international media and publicity which we are working hard to capitalise on in the future.

During the period we have undertaken some improvements in guest facing areas, including the retail outlet at Eurong Beach Resort and the Sunset Bar at Kingfisher Bay Resort. We will continue with our plans to upgrade the two main restaurants at Kingfisher Bay Resort throughout the remainder of 2019 in line with our original plans.

In addition, we have undertaken a number of enhancements to the staff accommodation facilities at both resorts including air-conditioning, televisions and WIFI. The level of accommodation has been vastly improved and we are confident this will assist us in improving staff performance and retention.

Captain Cook Cruises

Revenue for the first half of 2018/19 decreased by 3.2% as a result of lower domestic and international tourism demand in both NSW and WA.

Captain Cook Cruises New South Wales
In Sydney trading conditions were extremely challenging with a tightening of domestic consumer spending and demand and a general softening across some international markets.

Overall sales decreased by 9.5% compared with the first half of last year. The main contributor to this was a decline of 37.3% in charter revenues to Harbour City Ferries (HCF) and a reduction in contribution of 40.9% driven by structural changes to the HCF staff employment agreement, limiting charter opportunities and the loss of a ferry charter contract.

Turnover from the Hop-on Hop-off (HOHO) and fixed route ferry services increased by 13.8% primarily due to the introduction of the new Manly to Barangaroo service. The Manly to Barangaroo service grew by 16% but is still lower than hoped and behind original forecasts. Our revised forecasts now suggest profitability towards the end of 2019.

Sightseeing and Coffee Cruises revenue was broadly in line with last year with good demand from Asian travellers for these products.

Sydney charter sales decreased by $0.5m on the back of softer domestic demand.

In December 2018 two additional “Tubby-class” commuter ferries were delivered to provide Sydney’s first on-demand ferry service from Elizabeth Bay to Circular Quay. The service is proving to be very popular with patronage growing rapidly over the first few weeks of January 2019.

Captain Cook Cruises Western Australia
In Western Australia, the traditional Captain Cook Cruises business has continued to trade below expectations with a further deterioration in economic and trading conditions in WA.

In September 2018, the business ran its inaugural Australian Football League river cruise to the new Optus Stadium. These cruises performed well and were received well by all patrons. The 2019 season is looking promising for this service with many events scheduled.

Although the Rottnest Island service still generated an EBITDA loss for the period (recognising July to October are quiet months), the service broke even in November 2018 and made a solid contribution in December 2018 and January 2019. Ongoing price discounting by the main competitor on this service has continued, which has had an impact on margins.

In August 2018, the *MV Capricornian Sunset* (Quokka1) had all four of its Scania Jet Engines replaced. The new engines have proved to be more reliable and efficient than the old ones and this is having a positive effect on repairs and maintenance and fuel consumption. Overall there was a 15% improvement in trading result compared with the prior year.

SeaLink Queensland

South East Queensland
The Stradbroke Island operations had a solid first 6 months of this financial year with an increase in revenue of 4.3% compared with the same period last year. The North Stradbroke Island operations have continued to grow and the commercial business to the Southern Moreton Bay Islands has increased, due to continued road upgrades and residential building.

The Southern Bay Island passenger ferry service (BITS) was awarded a new 5 + 1 + 1 year contract with TransLink.

A new cultural tourism product which is being developed remains a growth area, with schools and conferences taking the opportunity to incorporate a cultural experience into their visit. We continue to work closely with the local indigenous people in developing these products.

The *MV Quandamooka* returned to service during the period after a charter in Weipa Qld and this has added some additional capacity and greater flexibility to accommodate passenger and vehicle growth in the high demand periods.

The performance of the Mineral Sands barging operation was slightly ahead of last year. Mining is scheduled to cease on North Stradbroke Island at the end of 2019 at which time there will be an orderly wind down of the operations and removal of stockpiles that exist. It is anticipated this will be complete by June 2020.

SeaLink Townsville and Northern Territory
There was no major change in the Townsville and NT business in the first half-year. Sales increased by 8.2% over the first half of last year. Higher contributions from the Magnetic Island and Tiwi and Groote Eylandt services continued to be the main drivers.

Turnover from the Townsville operations increased with higher revenue from its core Magnetic Island ferry service. Passengers increased by 2.3% which was primarily attributable to increased demand from the backpacker market.

Charter income was in line with last year and the introduction of a new whale watching tour was a success.

During the period we lodged an Expression of Interest for the Contract Renewal for the ferry services to Tiwi Island and Mandorah and we have been awarded preferred supplier status by the Northern Territory Government. Final negotiations on the contract are anticipated to be agreed upon by early 2019.

The Tiwi Islands services continue to expand with strong resident and tourism travel in the period lifting revenues. Further tourism planning for the Tiwi Islands is anticipated to continue the growth.

The Groote Eylandt operations and sales revenue has expanded with commencement of bus services on behalf of the Groote Eylandt Trust and the Anindilyakwa Land Council transporting local residents around the community, while ferry services to the remote Numbulwar community in East Arnhem Land continue to attract patronage.

Gladstone
In Gladstone, the contracted operations have performed well and in line with expectations during the period.

The *MV Capricornian Dancer* charter to Port Phillip Ferries concluded in November and the vessel has returned to Gladstone. This vessel along with the *MV Capricornian Sunrise* will be used for charter work in and around Queensland with an emphasis on cruise ship transfers and day trips to the Great Barrier Reef.

During the period the *MV Mandurama* was sold and as part of the sale the 50 passenger superyacht *MV Auspro* was acquired and commenced charter work on Sydney Harbour.

Dividend
SeaLink's Directors today declared a 6.5 cents per share fully franked interim dividend payable on 2 April 2019 to shareholders registered on 19 March 2019. The interim dividend for the half-year ended 31 December 2017 was 6.5 cents per share.

SeaLink's dividend policy calculated annually, is to return to shareholders between 50-70% of after-tax profit, subject to business needs and ability to pay. 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. The interim dividend represents a 50.7% return of after-tax net profit to shareholders.

Matters subsequent to the end of the financial half-year

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

Significant changes in the state of affairs
There were no major changes in the state of affairs during the half-year.

Outlook
As a key part of its strategy to expand, SeaLink will continue to seek acquisitions that fit within its defined investment criteria.

Assuming average seasonal and current business conditions remain over the remainder of the period the business is forecasting an improvement in trading profit for the six months to June 2019 versus the six months to December 2018 excluding the impact of any potential new acquisitions.

Rounding
The amounts contained 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 set out on page 8.

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

A J McEvoy
DIRECTOR

Sydney
Date: 18 February 2019

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

As lead auditor for the review of SeaLink Travel Group Limited for the half-year ended 31 December 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst + Young

Ernst & Young

David Sanders
Partner
Adelaide
18 February 2019

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Continuing Operations			Restated
Revenue		129,095	98,203
Interest income		13	13
Other income		1,320	443
Total income		130,428	98,659
Direct Operating Expenses-			
Direct wages		37,601	27,689
Repairs and maintenance		7,185	5,590
Fuel		6,768	4,102
Commission		6,342	3,980
Meals and beverage		7,525	5,904
Accommodation		225	202
Tour costs		6,704	4,281
Depreciation		6,895	5,323
Other direct expenses		8,000	4,914
Administration Expenses-			
Indirect wages		12,962	10,631
General and administration		8,717	5,969
Marketing and selling		2,804	1,589
Financing charges		2,199	1,383
Amortisation of customer contracts		1,007	780
Total Expenses		114,934	82,337
Profit before tax from continuing operations		15,494	16,322
Income tax expense	1A	2,518	5,027
Profit for the half year from continuing operations		**12,976**	**11,295**
Attributable to equity holders of the parent		**12,976**	**11,295**
Earnings per share-			
Basic profit for the period attributable to ordinary equity holders of the parent		$ 0.128	$ 0.112
Diluted profit for the period attributable to ordinary equity holders of the parent		$ 0.128	$ 0.111

Notes to and forming part of the financial statements are included on Pages 14 to 20

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME ("OCI")

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Profit for the half year		12,976	11,295
Other comprehensive income			
Net (loss) / gain on cash flow hedge (interest rate swap)		(634)	80
Deferred tax	1A	190	(24)
Net other comprehensive (loss)/gain to be reclassified to Profit & Loss in subsequent financial periods		(444)	56
Total comprehensive income for the half year, net of tax		**12,532**	**11,351**
Attributable to equity holders of the parent		**12,532**	**11,351**

Notes to and forming part of the financial statements are included on Pages 14 to 20

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 DECEMBER 2018 $'000	30 JUNE 2018 $'000
CURRENT ASSETS			
Cash and cash equivalents	2A	15,002	3,242
Trade and other receivables		14,341	11,004
Inventories		5,137	4,738
Current tax asset		1,720	6,334
Prepayments		2,155	2,000
TOTAL CURRENT ASSETS		38,355	27,318
NON-CURRENT ASSETS			
Property, plant and equipment	2B	212,032	210,101
Intangible assets	2C	54,321	55,327
Other financial assets		3,274	3,274
Deferred tax assets		5,451	4,539
TOTAL NON-CURRENT ASSETS		275,078	273,241
TOTAL ASSETS		313,433	300,559
CURRENT LIABILITIES			
Trade and other payables		17,761	11,952
Unearned revenue		6,602	5,314
Interest-bearing loans and borrowings	2D	822	1,350
Other financial liabilities	2D	215	137
Provisions		10,169	9,600
TOTAL CURRENT LIABILITIES		35,569	28,353
NON-CURRENT LIABILITIES			
Unearned revenue		892	805
Interest-bearing loans and borrowings	2D	106,934	107,187
Deferred tax liabilities		9,589	9,293
Other financial liabilities	2D	1,606	1,050
Provisions		1,611	1,649
TOTAL NON-CURRENT LIABILITIES		120,632	119,984
TOTAL LIABILITIES		156,201	148,337
NET ASSETS		157,232	152,222
EQUITY			
Contributed equity	3A	96,057	95,557
Reserves		(406)	(36)
Retained earnings		61,581	56,701
TOTAL EQUITY		157,232	152,222

Notes to and forming part of the financial statements are included on Pages 14 to 20

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Consolidated	Note	CONTRIBUTED EQUITY	RETAINED EARNINGS	CASH FLOW HEDGE RESERVE	SHARE OPTION RESERVE	TOTAL
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017		95,557	51,804	(324)	646	147,683
Profit for the period		-	11,295	-	-	11,295
Other comprehensive income		-	-	56	-	56
Total comprehensive income for the period		-	11,295	56	-	11,351
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	3B	-	(8,092)	-	-	(8,092)
Issue of share capital	3A	-	-	-	-	-
Issue of share options		-	-	-	87	87
Balance at 31 December 2017		95,557	55,007	(268)	733	151,029
Balance at 1 July 2018		95,557	56,701	(831)	795	152,222
Profit for the period		-	12,976	-	-	12,976
Other comprehensive income		-	-	(444)	-	(444)
Total comprehensive income for the period		-	12,976	(444)	-	12,532
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	3B	-	(8,096)	-	-	(8,096)
Issue of share capital	3A	500	-	-	-	500
Issue of share options		-	-	-	74	74
Balance at 31 December 2018		96,057	61,581	(1,275)	869	157,232

Notes to and forming part of the financial statements are included on Pages 14 to 20

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		128,362	98,096
Payments to suppliers and employees		(95,202)	(69,844)
Net GST paid		(3,794)	(2,346)
Interest received		13	13
Interest paid		(2,199)	(1,383)
Income tax paid		1,670	(6,858)
Net operating cash flows		28,850	17,678
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment	2B	2,115	82
		2,115	82
Cash was disbursed to:			
Payments for property, plant and equipment	2B	(10,832)	(10,378)
Acquisition of new businesses (net of cash acquired)		-	-
		(10,832)	(10,378)
Net investing cash flows		(8,717)	(10,296)
Cash flows from financing activities			
Proceeds from issue of shares	3A	500	-
New borrowings			9,117
Repayment of borrowings		(781)	(3,623)
Dividend paid	3B	(8,092)	(8,092)
Net financing cash flows		(8,373)	(2,598)
Net increase / (decrease) in cash held		11,760	4,784
Cash and cash equivalents at 1 July		3,242	2,923
Cash and cash equivalents at 31 December	2A	15,002	7,707

Notes to and forming part of the financial statements are included on Pages 14 to 20

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

1A TAX EXPENSE

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

The major components of income tax expense for the half year ended 31 December 2018 and 2017 are:

	2018 $'000	2017 $'000
Consolidated statement of profit and loss		
Current tax	2,942	4,701
Deferred tax	(424)	226
Under/(over) provision in respect of prior years plus adjustments	-	100
Income tax expense reported in the income statement	2,518	5,027
Consolidated statement of OCI		
Deferred tax related to items recognised and charged in OCI during the year:		
Tax on net profit on revaluation of cash flow hedges	190	(24)

1B REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2018	2017
Segments	$'000	$'000
Timing of Revenue Recognition		
Goods transferred at a point in time	130,428	98,659
Services transferred over time	-	-
Total	130,428	98,659

1C OPERATING SEGMENT REPORTING

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

- Kangaroo Island SeaLink ("SA"), offers ferry services, tours in South Australia, packaged holidays, retail travel services, accommodation facilities at Vivonne Bay and accommodated cruising on the Murray River. It also includes the ferry services to Bruny Island in Tasmania;
- Captain Cook Cruises ("CCC") operates tourist cruises, lunch, dinner and charter cruises and ferry passenger services on Sydney Harbour and in Perth;
- SeaLink Queensland ("QLD") includes ferry and barging operations throughout Queensland and the Northern Territory. This unit provides ferry passenger services as well as offering packaged holidays;
- SeaLink Fraser Island ("Fraser Island") 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 acquisition on 26 March 2018; and
- Corporate (Head Office), provides finance, administration and risk management support.

The Board and Executive Committee monitors the operating results of each business unit separately for the purpose of making decisions about strategy,

Half year ended 31 December 2018

	SA $'000	**CCC** $'000	**QLD** $'000	**Fraser Island** $'000	**Corporate** $'000	**Eliminations** $'000	**Consolidated** $'000
Internal revenue	2,497	1,273	495	-	845	(5,110)	-
External Revenue	32,965	26,358	39,930	31,162	13	-	130,428
Results							
Capital expenditure	4,055	2,934	1,471	1,840	532	-	10,832
Amortisation of customer contracts	-	78	702	227	-	-	1,007
Depreciation	1,513	1,242	2,770	1,341	29	-	6,895
Segment profit before interest and allocations - continuing operations	8,009	(670)	11,241	3,838	(4,738)	-	17,680
Corporate allocations	(2,175)	(786)	(1,339)	(438)	4,738	-	-
Segment profit before interest and tax - continuing	5,834	(1,456)	9,902	3,400	-	-	17,680
Interest income							13
Interest cost and finance charges							(2,199)
Segment profit before tax - continuing operations							15,494

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

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

1C OPERATING SEGMENT REPORTING (CONT)

Half year ended 31 December 2017	SA	CCC	QLD	Fraser Island	Corporate	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Internal revenue	2,518	616	490	-	827	(4,451)	-
External revenue	31,526	27,819	39,426	-	(112)	-	98,659
Results							
Capital expenditure	1,653	7,448	1,276	-	1	-	10,378
Amortisation of customer contracts	-	78	702	-	-	-	780
Depreciation	1,268	1,151	2,902	-	2	-	5,323
Segment profit before interest and allocations - continuing operations	8,747	1,434	10,596	-	(3,085)	-	17,692
Corporate allocations	(1,992)	(520)	(573)	-	3,085	-	-
Segment profit before interest and tax - continuing	6,755	914	10,023	-	-	-	17,692
Interest income							13
Interest cost and finance charges							(1,383)
Segment profit before tax - continuing operations							16,322

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

	SA	CCC	QLD	Fraser Island	Corporate	Eliminations	Consolidated
At 31 December 2018	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating assets	54,736	52,971	141,542	57,005	8	-	306,262
Operating liabilities	123,539	8,927	7,833	6,313	-	-	146,612
At 30 June 2018							
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

Reconciliation of assets and liabilities

	31 DECEMBER 2018	30 JUNE 2018
	$'000	$'000
Segment operating assets	306,262	289,686
Deferred tax assets	5,451	6,334
Current tax asset	1,720	4,539
Group total assets	313,433	300,559
Segment operating liabilities	146,612	139,044
Current tax liabilities	-	-
Deferred tax liabilities	9,589	9,293
Group total liabilities	156,201	148,337

1D SEASONALITY OF RESULTS

The Group provides products in the areas of transport and tourism services in Australia, the latter being quite seasonal with stronger turnover in the summer and autumn months. December and January have a high concentration of turnover in the tourism sector. Revenues in the second half are expected to be similar to the first half. Operating profit is forecast to be higher in the second half.

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

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-

	31 DECEMBER 2018	30 JUNE 2018
	$'000	$'000
Cash	12,069	3,069
Cash on deposit	2,933	173
Total cash and cash equivalents	15,002	3,242

2B PROPERTY, PLANT AND EQUIPMENT

Acquisitions and Disposals
During the six months ended 31 December 2018, the Group acquired assets with a cost of $10,832,000 (2017: $10,378,000).

Assets with a net book value of $2,005,000 were disposed of by the Group during the six months ended 31 December 2018 (2017: $39,000) resulting in a net profit on disposal of $110,000 (2017: $43,000).

Work in progress as at 31 December 2018 was $2,392,000 (2017: $568,000).

2C GOODWILL / IMPAIRMENTS

Goodwill is tested for impairment annually (as at June 30) and when circumstances indicate the carrying value may be impaired.

The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model.

The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 30 June 2018.

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

2D FINANCIAL INSTRUMENTS

Interest-bearing loans and borrowings have a fair value of $107,759,000 (2017: $66,639,000) and a carrying value of $107,756,000 (2017:$66,626,000).

Borrowing and repayment of debt
During the six month period, interest-bearing borrowings of $781,000 were repaid from cash raised through cash flow from operations.

Cash flow hedge for interest rate risk
The Group entered into a 5 year fixed term interest rate swap effective 1 December 2015 at a rate of 2.53% before interest margin and line fees. The terms of the interest rate swap have a close match to the variable interest rate liability arising from bill facilities. Consequently, the hedges were assessed to be highly effective.

The fair value adjustment required was assessed as material and as such, the gross difference of $1,821,000 (2017: $383,000) was recorded as a financial liability with the associated tax effect forming part of Deferred Tax Asset. The net difference in movement of $444,000 (2017: $56,000) is shown through the statement of other comprehensive income. The fair value of the interest rate swap at 31 December 2018 is $1,606,000, which has been disclosed in the Statement of Financial Position as Other Financial Liabilities.

The interest rate swap is categorised as a Level 2 within the fair value hierarchy with the fair value determined using a present value valuation technique based on market inputs (including interest rates) which are actively traded and quoted through the Australian banking system.

SECTION 3: CAPITAL

3A EQUITY

	Contributed Equity For the half year ended		No. of Shares on Issue For the half year ended	
	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	500	-	200	-
Issue of shares through Performance Rights Issue	-	-	75	-
Deferred tax associated with share issue expenses	-	-	-	-
Total	96,057	95,557	101,429	101,154

During the half year, there were no new shares issued.

3B DIVIDENDS

	2018	2017
Dividends on ordinary shares declared and paid during the six month period:		
Final dividend for 2018: 8.0 cents (2017: 8.0 cents)	8,092	8,092
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 31 December):		
Interim dividend for 2019: 6.5 cents (2018: 6.5 cents)	6,593	6,575

SECTION 4: ACCOUNTING POLICIES

4A BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 31 December 2018 have been prepared in accordance with AASB 134 *Interim Financial Reporting* .

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 June 2018.

4B 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 2018 except for the adoption of new standards AASB 9 and AASB 15, effective 1 July 2018. Several other new amendments and interpretations apply for the first time in 2018, but do not have a material impact on recognition, measurement and disclosure for the half year ended 31 December 2018.

The Group applies, for the first time, AASB 15 *Revenue from Contracts with Customers* that requires re-statement of previous financial statements. As required by AASB 134 Interim Financial Reporting, the nature and effect of these changes are disclosed below.

The impact on the statement of profit or loss (increase/(decrease)) for the six months ended 31 December 2018 is as follows:

		For the half year ended	
		2018	2017
	Adjustments	$'000	$'000
Revenue from contracts with customers	(a)	2,466	2,176
Cost of sales	(a)	2,466	2,176
Profit for the period		-	-

(a) Principal versus agent considerations

From time to time, the Group enters into contracts or arrangements with its customers, on their behalf, to provide travel, accommodation, tours and entrance fees. Under these contracts, the Group provides procurement services and is not primarily responsible for fulfilling the promise to provide the specified service. The Group does not have inventory risk before or after the specified service has been transferred to the customer and the Group has no discretion in establishing the price for the service. However, the Group's consideration in these contracts is determined as the difference between the maximum purchase price quoted by the customer and the final price negotiated by the Group with the supplier. Upon the adoption of AASB 15, the Group determined that it does not control the goods or services before they are transferred to customers, and hence is an agent in these contracts. This change resulted in a decrease in revenue from the sale or the goods and services and cost of sales and an increase in revenue from rendering the services by the difference.

The Group adopted AASB 15 using the full retrospective method of adoption and there is no material impact on the statement of financial position, statement of cash flows or basic and diluted EPS. The statement of profit and loss for the six months ending 31 December 2017 was restated resulting in a decrease in both *Revenue from contracts with customers* and *Cost of sales* amounting to $2,176,000.

The Group adopted AASB 9 using the full retrospective method of adoption and there is no material impact on the statement of profit and loss, financial position, statement of cash flows or basic and diluted EPS.

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

SECTION 5: UNRECOGNISED ITEMS

5A CAPITAL COMMITMENTS

	For the half year ended	
	2018	2017
	$'000	$'000
Vessels	16,107	1,320
Buses	-	-
Other	-	-

5B CONTINGENCIES

There were no material contingent assets or liabilities noted as at 31 December 2018 (2017: Nil).

5C EVENTS REPORTED AFTER THE REPORTING PERIOD

A fully franked dividend of $6.593m representing 6.5 cents per share based on the current number of ordinary shares was declared by the Directors on 18 February 2019 to be paid 2 April 2019. Apart from this matter, no events have occurred subsequent to the half year end which would, in the absence of disclosure, cause the financial report to be misleading.

SECTION 6: OTHER

6A CORPORATE INFORMATION

The interim consolidated financial statements of the Group for the six months year ended 31 December 2018 were authorised for issue in accordance with a resolution of Directors on 18 February 2019.

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 1B.

The Company's Registered Office is Level 3, 26 Flinders Street, Adelaide SA 5000.

The Company's Share Registry is managed by Boardroom Pty Limited, Level 8, 446 Collins Street, Melbourne, Victoria 3000.

6B SHARE OPTIONS AND PERFORMANCE RIGHTS

Employee Performance Rights
In September 2016, 15,000 performance rights were granted to a Key Management Personnel under the SeaLink Employee Option Plan. The performance rights will vest after a period of 3 years as long as the senior employee is still employed on such date and the share price was at least $5.94.

Following approval at the October 2016 AGM, 160,000 performance rights were issued to the Managing Director, Mr Jeffrey Ellison on 25 October 2016. These performance rights will vest after a period of 3 years as long as the Managing Director is still employed on such date and the performance hurdle, being the achievement of a cumulative growth rate in earnings per share over the 3 year period of 12% p.a, is met.

Employee Share Options
Following approval at the October 2016 AGM, 100,000 zero priced options were issued to the Chairman, Mr Andrew McEvoy on 25 October 2016. The options will vest after a period of 3 years as long as the Chairman is still employed on such date.

The fair value of the performance rights granted were valued at $1.72 and $4.11 per share respectively for those issued in September and October 2016. The total cost of $693,400 is being expensed over the vesting period of 3 years.

The fair value of the options granted were valued at $4.11 per share respectively. The total cost of $411,000 is being expensed over the vesting period of 3 years.

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

Dividend yield		2.69%
Expected volatility		29.40%
Risk-free interest rate		1.61%
Expected life (years)		3.0
Underlying security value	$	4.46

The amount recognised as an expense is only adjusted when performance rights do not vest due to non-market-related conditions. For the six months ended 31 December 2018, the Group recognised $74,000 of share-based payments expense (2017: $87,000).

6C RELATED PARTY TRANSACTIONS

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

- Purchases and services totalling $8,516 from Vectra Corporation Ltd, a company associated with Mr C Smerdon (2017: $6,895);

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

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

      (i) giving a true and fair view of the Company's financial position as at 31 December 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.

On behalf of the Board

SeaLink Travel Group Ltd
Andrew McEvoy
Chair
18 February, 2019

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of SeaLink Travel Group Limited and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2018, the statement of profit and loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

David Sanders
Partner
Adelaide
18 February 2019