

SEALINK TRAVEL GROUP LIMITED
FINANCIAL REPORT AND APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2019

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SEALINK TRAVEL GROUP LIMITED
ASX APPENDIX 4E (RULE 4.3A)
FOR THE YEAR ENDED 30 JUNE 2019

	Normalised Results #			Statutory Results		
	Consolidated SeaLink			Consolidated SeaLink		
	Change from Period Ended 30 June			Change from Period Ended 30 June		
	2019	2018	Change	2019	2018	Change
\$M	\$M	%	\$M	\$M	%	
Revenue from Ordinary Activities	248.8	208.2	19.5%	248.8	208.2	19.5%
EBITDA * (excl significant items)	47.9	46.5	3.0%	47.9	46.5	3.0%
<i>One-off costs</i>						
Impairment of investment (UWAI)	-	-	n/a	(1.6)		n/a
Acquisition related costs (Fraser Island)^	-	-	n/a	(0.2)	(2.6)	n/a
Start up costs (new routes) - CCC^^	-	-	n/a	(0.2)	(0.4)	n/a
Depreciation and Amortisation	(16.4)	(12.9)	27.5%	(16.4)	(12.9)	27.5%
EBIT	31.5	33.6	(6.4%)	29.5	30.6	(3.7%)
Interest	(4.6)	(3.2)	43.8%	(4.6)	(3.1)	48.4%
Net Profit Before Tax attributable to the members of SeaLink Travel Group Limited	26.9	30.4	(11.6%)	24.9	27.5	(9.6%)
Tax	(3.5)	(8.4)	(58.2%)	(3.4)	(7.9)	(56.9%)
Profit After Tax	23.4	22.1	6.0%	21.5	19.6	9.4%

Normalised Results have been adjusted for significant one off items for the period 30 June 2019

* EBITDA - Earnings Before Interest, Tax, Depreciation & Amortisation

^ Costs associated with the acquisition of Fraser Island including stamp duty, legal, accounting, tax and other professional costs

^^ Costs associated with the unsuccessful tender bid for Sydney Ferries in FY19. Commencement of the two new ferry services operating from Manly to Barangaroo in NSW and Fremantle to Rottnest Island in WA in FY18

DIVIDEND INFORMATION

	Amount per Share (cents)	Franked Amount per Share (cents)	Tax rate for franking credit
30 June 2018			
Interim Dividend	6.5	6.5	30%
Final Dividend	8.0	8.0	30%
30 June 2019			
Interim Dividend	6.5	6.5	30%
Final Dividend	8.5	8.5	30%

Final Dividend Dates	
Ex-dividend date	3 September 2019
Record Date	4 September 2019
Payment date	17 September 2019

NET TANGIBLE ASSETS

	June 2019	June 2018
Net tangible assets per ordinary share	\$1.06	\$1.01

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
27 August 2019

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

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 2019.

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, and is a previous Managing Director and CEO of 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 the key lifestyle titles. Mr McEvoy is Chair of advocacy group Tourism and Transport Forum (TTF) and a Director of the Lux Group Ltd, Ingenia Communities Ltd and Voyages Indigenous Tourism Australia.

Mr McEvoy is a member of the Company's Remuneration and Nomination 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 was appointed Managing Director in 2008. Mr Ellison is a member on Tourism Australia Board and the South Australian Botanic Gardens and State Herbarium Board. Mr Ellison is a former Board member of the South Australian Tourism Commission, 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 was 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 and owner 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 a member of the Company's Remuneration and Nomination committee.

Andrea J.P. Staines (MBA, B.Ec, OAM) - Non-Executive Director

Ms Staines has extensive experience in the transport sector and is a former CEO of Qantas subsidiary, Australian Airlines (mk II), which she co-launched. Ms Staines currently sits on the Board of UnitingCare, NDIA and Freightways (NZ).

Ms Staines has been a professional non-executive director for over a decade, and has held previous directorships with a range of entities in the transport, tourism and care sectors, including Tourism Australia, Aurizon, Australian Rail Track Corporation, Gladstone Ports Corporation and North Queensland Airports. Ms Staines joined the Board in 2016 and is Chair of the Company's Remuneration and Nomination Committee and a member of the Company's Audit and Risk Committee.

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

Fiona Hele (B.Com, FCA, FAICD) - Non-Executive Director

Ms Hele is a Non-Executive Director and an experienced Audit & Risk Chair with a strong commercial and finance background. Ms Hele is a Chartered Accountant with over 25 years' experience in both the private and public sectors specialising in strategic business advisory, mergers and acquisition, risk management and corporate governance.

Ms Hele is a Fellow of the Institute of Chartered Accountants, Australia and New Zealand, and a Fellow of the Institute of Company Directors.

Ms Hele is also a director of Adelaide Venue Management Corporation, Celsius Securitisation Pty Ltd and the South Australian Water Corporation. Past Directorships include the South Australian Tourism Commission and the Adelaide Fringe Festival.

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

Company Secretary

Andrew Muir (B.Ec, MBA)

Mr Muir (Chief Financial Officer) was appointed Company Secretary on 1 June 2018. Mr Muir has also held a number of similar positions with other ASX listed and private companies. Mr Muir holds a Bachelor of Economics and a Master of Business Administration from the University of Adelaide.

Joanne McDonald (LLB, B.Ec, GAICD) (appointed 21 August 2018)

Prior to joining SeaLink as General 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:

	<i>Number of Ordinary Shares</i>	<i>Number of Options over Ordinary Shares</i>
A McEvoy (Chair)	19,579	100,000
C Smerdon	6,104,500	-
J Ellison	5,524,769	-
T Dodd	4,786,578	-
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:

	<i>Number of Board Meetings attended</i>	<i>Number of Audit and Risk Committee Meetings attended</i>	<i>Number of Remuneration and Nominations Committee Meetings attended</i>
Number of meetings held:	11	4	6
A McEvoy (Chair)	11	-	6
C Smerdon	10	4	-
J Ellison*	11	4	6
T Dodd	11	-	6
A Staines	11	4	6
F Hele	11	4	-

All current Directors were eligible to attend all meetings held.

* Mr Ellison attended the Board Committee meetings by invitation only.

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

Committee Membership

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

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

Principal Activities

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

- ferry services;
- tourism cruises, charter cruises and accommodated cruising;
- accommodation and restaurant services at Fraser Island and Vivonne Bay;
- coach tours;
- tug and barge services;
- travel agency services; and
- packaged holidays.

Review of Operations

Financial year 2019 has been a solid year benefitting from past acquisitions and business development initiatives. In particular both the Fraser Island business in Queensland and our Bruny Island ferry operations in Tasmania performed ahead of expectations as did many of our Queensland and Northern Territory operations.

Our key tourism businesses were challenged by slower international visitor growth, a number of unseasonal weather events and unplanned local disruptions for example a national election when the Australian market slowed.

Our focus on growth opportunities continues, particularly in the transport industry. This is providing significant interest for the Company as we seek strong and stable income streams away from the fluctuations and seasonality of the tourism industry.

The Company has increased its final dividend by 0.5 cents per share at 8.5 cents per share this financial year. This brings the full year dividend to 15.0 cents per share, up from 14.5 cents per share last year.

Result Overview

The Company recorded a statutory Net Profit after Tax (NPAT) of \$21.5m compared to a NPAT of \$19.6m for the year ended June 2018. From a comparative perspective, the Company reported an underlying NPAT of \$23.4m compared with \$22.1m in the prior year.

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

- Successful integration of the Kingfisher Bay Resort Group on Fraser Island (acquired March 2018),
- Successful commencement of the Bruny Island ferry service in Tasmania
- Successful divestment of two Capricornian Class vessels for a total of \$9.9m
- Upgrade of staff accommodation and common areas on Fraser Island
- Commencement of construction of two vessels to operate the Bruny Island ferry service
- Commencement of whale watching tours in Townsville
- Establishment of whale watching on Stradbroke Island with QYAC
- New Rottnest Island service operating above break even

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

Similar to the prior year, the Kangaroo Island, Queensland (Marine and Fraser Island) and Northern Territory operations all performed well during the period. The Tasmanian operations which commenced in September 2018 also performed pleasingly ahead of expectations.

Contribution from our Captain Cook Cruises business in both Western Australia and New South Wales continued to be well below our expectations and following a detailed strategic review and evaluation of options resulted in the decision to divest the fast passenger ferry operations in NSW. The WA business has shown signs of improvement and we were pleased with the performance and results from the Rottnest Island service that commenced 18 months ago.

The Fraser Island business acquired in March 2018 delivered a result ahead of the acquisition business case, and ahead of the prior year.

The Company continues to focus on its strategy of growth through acquisition as well as maximising organic revenue 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 34%, which is well within target gearing levels and positions us well for future investment and growth.

We continue to develop our technology knowledge base to provide data to better understand and manage capacity, yield growth, variable pricing and the impacts of passenger trends.

SeaLink South Australia & Tasmania

Kangaroo Island SeaLink

Revenue from vehicles and freight to Kangaroo Island was up 0.5% on the prior year both of these being record carry numbers but offset by a similar decrease in passenger revenues.

SeaLink day touring passengers were slightly down as a result of the shift to self-drive touring and the introduction of a competing passenger only service. Our charter business benefited from the 28 cruise ships that visited Kangaroo Island between October & March, and 26 are scheduled to visit in FY20. In October 2018, we purchased a new 51 seat Scania bus to further complement and enhance our bus charter and coach touring opportunities.

SeaLink continued to drive operational efficiencies and consolidated purchasing opportunities with both these contributing to the reduction in operational costs.

During the period we successfully completed the mandated 15 year major out-of-water survey and maintenance works for one of the Kangaroo Island vessels.

The South Australian Government also announced its intention to tender the ferry service between Cape Jervis and Penneshaw. The South Australian Government is yet to outline the timing phases of this tender. Our current licence to operate expires in July 2024.

SeaLink South Australia has an active pipeline of prospects in its key operational sectors, focussing on further accommodation & hotels, tourism & leisure and marine opportunities.

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

P.S. Murray Princess

The *PS Murray Princess* has had a challenging year with revenue down 9% from the record high achieved in the prior year. Some of this under performance can be attributed to a decrease in sales from key customers, uncertainty associated with the 2019 Federal Election and the negative sentiments relating to the condition of the Murray and Darling Rivers.

During the year a new Enterprise Bargaining Agreement was negotiated and finalised with staff and crew.

Despite lower patronage, the *PS Murray Princess* constantly achieved Nett Promoter Scores (NPS) for cruises in excess of 90%, an outstanding result which underpins the quality of the product and consistent delivery of our customer experience.

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

Bruny Island - Tasmania

After successfully winning the tender for the operation of ferry services to Bruny Island in Southern Tasmania, ferry services commenced on 23 September 2018.

Vehicle numbers were up on our original forecast with resident, tourist and freight vehicles all contributing positively. SeaLink introduced a new Light and Standard Ferry fare structure in November 2018 with reduced fares on early morning services and standard fares through the peak. Total vehicle numbers were up 4% on 2017/18.

Operationally, the *MV Moongalba* relocated from our South East Queensland operations to work on the route. SeaLink took over the management of the Tasmanian Government owned *MV Mirambeena* and has since purchased a third vessel for the route, the *MV Bowen*. SeaLink is also working with the Tasmanian Government to improve infrastructure at both Kettering and Roberts Point, which should provide opportunities to improve volumes of local and tourist travel. SeaLink has committed to the construction of two new vessels for the Bruny Island route, to be built in Tasmania with the first delivery planned in December 2019 and the second in March 2021.

SeaLink also attracted new revenue from the Aquaculture sector in Southern Tasmania and has developed a strong business relationship with the industry, that with further investment will provide a strong future growth opportunity.

Captain Cook Cruises – New South Wales and Western Australia

The last 12 months have presented a challenging period for the business as both international and domestic demand softened, impacting our Sightseeing and Charter businesses. It was also a year of consolidation of our strategic plan to increase capacity, vessel utilisation and ferry routes to service Sydney Harbour residents and visitors. We remained focused on improving margins through tight cost control in our core tourism and dining businesses particularly in our food and beverage departments and focused on efficiency gains, with close attention to personnel management.

During the period we tendered for the Harbour City Ferries contract. Partnering with a national transport operator, we finished as the 2nd preferred tenderer behind the incumbent. Whilst disappointing, it represented an opportunity to explore new partnering arrangements in a remodelled franchise offering. We are hopeful of additional vessel charter or deployment opportunities to arise in the next financial year.

The Manly to Barangaroo Fast Ferry patronage continued to grow slowly but continued to operate well below expectations. We expect passenger growth to continue over the short to mid-term resulting in profitable operations towards the end of the 2019/2020 financial year. With domestic and international demand weakening we took the opportunity for cost savings to terminate the Fish Market shuttle service. The Company's new 'Tubby Class' vessels were re-deployed to operate Sydney's first on-demand ferry service between Elizabeth Bay and Circular Quay. The low cost, single crew operation service, is not yet profitable but has shown strong growth month on month since inception.

Excluding Charters, sales increased 2% over the prior year, before commission paid with growth coming in dining cruises and our new ferry routes. Dining revenue increased by 1%, despite very soft international and domestic demand. This was due to improved strategic distribution relationships driving solid results in an otherwise very difficult market.

In March 2019 the Company procured the superyacht *Auspro*, a 35m Italian built design. This vessel is capable of ocean cruising and is ideal for in-harbour charters. We expect this vessel will help to position the Company for stronger growth in the higher yielding high margin charter cruise area.

During the period, Taronga Zoo changed their strategic approach to distribution moving from using third party ticket sellers to selling direct on-line. This impacted sales of our Hop On Hop Off service which combine Zoo entry, lowering returns on the Hop On Hop Off. To counter this change and the tightening of demand generally, we reviewed timetables to achieve some operational efficiencies. These changes will prove beneficial over the coming 18 months as demand gradually improves.

While the level of inbound tourism growth into Australia has softened over the past year and domestic demand has been slow, we are confident in our dining strategy to deliver improvements in yield. Charter sales were soft and were affected by the weakening domestic demand drivers. Sales continued to increase from sightseeing and 'Harbour Story' cruises, maintaining their popularity in our tourism offering.

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

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

From a sales growth perspective, preferred arrangements continued with our major distribution partners. Our strategic focus to develop strong online distribution partnership arrangements was helped with finalisation of partnerships with online consolidator Rezdy, Expedia, Viator, Ticket Mates, and Klook, building our direct to market channels in the Chinese and Asian markets.

We believe the business can continue to innovate and deliver Sydney's best dining sightseeing and cruising experience while expanding the Sydney Harbour 'Blue Highway' building sustainable long-term value for shareholders.

Captain Cook Cruises Western Australia (CCC WA)

Business and trading conditions in Western Australia continued in the same vein as 2017 and 2018 with a depressed local economy that translated to a reduction in local bookings. More broadly, the local economic conditions have had an adverse effect on retail and food & beverage businesses throughout the State as a whole.

For the first time in over three years, Western Australia reported positive growth in the tourism sector across both visitation and spend with Tourism WA securing an additional \$12m to support both domestic and international marketing campaigns designed to drive short term growth. In addition to this it also secured a number of key sporting events to start the financial year, specifically Manchester United v Leeds football in July 2019 and Bledisloe Cup in August 2019. Captain Cook Cruises is well positioned to leverage these events with the exclusive use of the jetty at Optus Stadium.

Western Australia also showcased Australia's biggest tourism tradeshow (Australian Tourism Exchange) in April 2019 and is scheduled to host two further tourism events (Corroboree and Dreamtime) in October 2019 and December 2019 respectively. These events will assist in putting the 'tourism spotlight' back on Western Australia and assist in growing inbound numbers.

Whilst the Captain Cook Cruises River services continues to be soft, the SeaLink Rottnest Island business has shown double digit growth in passenger numbers despite strong competition. Rottnest Island has set another record for visitation with annual visitor numbers hitting 785,000 – nearly a 7% increase on 17/18 numbers. More broadly, visitation to Rottnest Island has grown 21% in the two years since SeaLink commenced services. With the 'Quokka Selfie' phenomenon in full swing and considerable Tourism WA marketing efforts focused on Rottnest Island, we expect the demand to continue to improve.

SeaLink Queensland

Gladstone

In Gladstone, a total of eight vessels remain engaged on operational service contracts for the full year with the business performing to expectations on these contracts.

One Capricornian vessel remains in Gladstone on a long-term lease servicing Curtis Island.

An additional Capricornian vessel has also been redeployed to Gladstone with a view to attracting additional ad-hoc tourism charter work and additional short-term work for Curtis Island clients supporting shutdown activities. Although tourism charter work to date has not been realised as expected, additional short term work for Curtis Island clients has exceeded expectations.

In April 2019 and June 2019 two Capricornian vessels were sold to a New Zealand operator realising proceeds of \$9.9 million. The lease arrangements for these vessels had expired and a small profit on sale was achieved confirming our holding value of these vessels.

The 5th Capricornian vessel remains deployed in Perth servicing Rottnest Island business.

South-East Queensland

During the year there has been a heightened focus on developing and growing tourism on North Stradbroke Island by both the Redland City Council and State Government given its proximity to the greater Brisbane region.

In September 2018, the *MV Quandamooka* vehicle ferry returned from charter in Weipa and provided additional capacity on the Cleveland to North Stradbroke Island service during the peak holiday times, and on weekends. The *MV Quandamooka* carries 50 cars and 400 passengers and has a licenced café on board.

In January 2019, we were successful in renewing the TransLink contract to provide passenger ferry transfers from Redland Bay to the Southern Moreton Bay Islands for another 5 years with an additional two by one-year options.

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

We established a partnership with QYAC (Quandamooka Yoolooburrabee Aboriginal Corporation) by providing a wet charter vessel for the first Indigenous owned Whale Watching cruise in Australia. The rocket class vessel was re-deployed from Sydney for this cruise and offers the opportunity to create new products to further enhance our business. Our ongoing and developing working relationship with QYAC reinforces the values of the SeaLink RAP (Reconciliation Action Plan) that embraces and incorporates recognition, acknowledgement and understanding of Aboriginal and Torres Strait Islander peoples and culture into our everyday operations.

SeaLink Townsville

Overall revenue grew by 1.2% despite the extreme weather event (flooding) in February 2019 causing service cancellations over an extended period and a downturn in the youth adventure market. Despite these challenges, Magnetic Island passenger numbers increased by 2.4%, the highest recorded in a financial year.

Revenue from cruise ship charters was slightly down, however revenue from the North Queensland Adventure series grew by 44% as a result of expanding the tour season and the introduction of whale watching tours.

A new vessel build was approved to replace the current Palm Island passenger ferry and is expected to commence service towards the end of 2020.

Northern Territory

Overall revenue increased by 15% compared to FY18 despite static passenger numbers on the Mandorah route.

Tiwi Islands revenue continued to perform strongly on what was already a solid prior year with a 5.3% increase in passenger numbers and 7.2% 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.

The Groote Eylandt Ferry & Bus service revenue increased 63% on the prior year due to a full year contribution of bus operations and expansion of ferry services adding to the community of Numbulwar to the route.

The Mandorah and Tiwi Islands contracts have been extended to 30 September 2019 whilst negotiations continue with the Northern Territory Government on renewed contracts for these routes. The Groote Eylandt contract is due to expire in February 2020 and we have commenced discussions to renew of this contract.

The Tiwi Islands continue to be the primary tourism market and further growth is expected on this route with the development of new marine infrastructure on Bathurst Island, new tourist accommodation coming online in late 2019, and the Northern Territory Government's investment into tourism marketing.

Fraser Island

During the 2019 financial year, we successfully integrated the recently acquired Fraser Island business into SeaLink. The successful integration of our sales and marketing functions were a highlight of this process and the new structure is both effective and efficient.

Fraser Island traded well in all areas with a total revenue growth of 3% on the previous year in what many would characterise as a flat tourism market. This growth in overall revenue was reflected by an increase in our total EBITDA and this result is a credit to the very stable and experienced team throughout this business.

At an operational level we made some strategic investments in the business which has resulted in positive change, the most significant of which was the upgrading of the staff accommodation at both resorts. This investment will position us well to see a reduction in staff turnover and ultimately improved guest satisfaction scores which is a key driver in our ongoing success.

The Kingfisher Bay Resort had a strong year with revenue exceeding the forecast by 4.2% and the business benefited from unprecedented publicity as a result of the visit in October 2018 by their royal highnesses the Duke and Duchess of Sussex. While this event was fortuitous, we also undertook some innovative and effective sales and marketing strategies throughout the year to ensure that we maximised the occupancy for this property. This included a successful year in the wedding market as well as our continued strategy of targeting direct sales rather than a continuation of the growth in bookings via third parties.

The Eurong Beach Resort operations performed well for the period while undertaking some important upgrades to facilities to which our guests responded very positively. Our continued focus on yield management has seen accommodation revenue improve and this is expected to continue to be the case as we move forward. The planned upgrade of the main food and beverage outlet early in the new financial year will underpin the continued improvement in the results from this business.

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

Our touring brand Fraser Explorer Tours had a mixed year with very good performances from all products other than our youth market tour Cool Dingo. This business saw total revenue growth by 4% on the previous year. This business is well positioned to continue to grow revenue and profit in the future due to strong brands, an excellent 4WD bus fleet and a good management team very experienced in managing this complex operation.

Our marine business Fraser Island Barges also traded consistently during this period, however some softness in commercial traffic resulted in revenue being flat while some higher one-off R&M expenses for one vessel impacted our operating costs.

The SeaLink Fraser Island businesses are well positioned to continue to grow revenue and EBITDA in the future due to planned strategic investment in key areas, excellent management and focused sales and marketing activities which will see us continue to outperform the domestic tourism market.

Future

The future outlook for SeaLink is very bright with our solid base of diversified business across Australia in the transport, tourism and now accommodation sector.

Although international visitor growth has temporarily slowed, the improved exchange rate will make Australia a more attractive holiday destination for both international visitors and Australian residents. In addition, the transport industry is a proven significant opportunity for SeaLink with its focus on logistics management and the industry's solid returns and many opportunities.

With a year of focus on growth through organic business development sales, network expansion, additional routes and license extensions and acquisitions, 2019/20 financial year is sure to be another record.

Overall, FY20 has started in line with expectations.

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 Rottneest Island route;
- Continuing to improve sales, yields and margins on transport and tourism products;
- Continue to add and grow additional services within existing locations and routes
- 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 2019, there were 100,000 (2018: 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. 200,000 options were exercised by employees at an issue price of \$2.50 per ordinary share.

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

Dividend

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

	Cents per Ordinary Share	Amount
Interim fully franked dividend for 2019 paid 12 April 2019.	6.5	\$6,592,892
Final fully franked dividend for the year ended 30 June 2018 and paid 3 October 2018.	8.0	\$8,092,328

SeaLink's Directors today declared an 8.5 cents per share fully franked final dividend payable on 17 September 2019 to shareholders registered on 4 September 2019. This represents a 70.6% 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 2018 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 Company during the year.

Matters Subsequent to the End of the Financial Year

A fully franked dividend of 8.5 cents per share was declared by SeaLink's Directors on 27 August 2019, representing a total payment of \$8,621,474 to be paid 17 September 2019 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 Company'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

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

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 Company. 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 2019 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
2019 AUDITED 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 2019.

It also details the remuneration strategy and financial results.

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

Contents:

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

1. Remuneration Strategy

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

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

2. Remuneration Framework

The Remuneration and Nomination 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 (STI) are performance-based and reward achieving or exceeding strategic and operational goals of the Company and the Business Unit in the relevant financial year. The STI were chosen as they reflect the core drivers of short term performance and also provide a framework for delivering sustainable value to the Company, its shareholders and customers; 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)
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
2019 AUDITED REMUNERATION REPORT (cont...)

3. Key Management Personnel (KMP)

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

From 1 July 2018 to 30 June 2019 the KMP (unless otherwise stated) 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 & Company Secretary	
A Hayes	Chief Operating Officer	Resigned 4 December 2018
D Gauci	Chief Operating Officer	
A Haworth	General Manager – Captain Cook - NSW	Ceased 30 June 2018
P Victory	General Manager- Growth and Innovation	
C Benson	Chief Information Officer	Appointed 12 June 2018
J McDonald	Legal Counsel & Company Secretary	Appointed 11 July 2018
B Martlew	General Manager - People & Culture	
M Niemann	National Fleet Manager	

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 two percent increase is planned for the 2019/2020 Financial Year.

The remuneration of NED consists of Director fees which are currently set as follows:

- The Chair receives an annual fee of \$136,577 p.a. plus statutory superannuation; and
- All other NED's receive \$68,288 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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
2019 AUDITED REMUNERATION REPORT (cont...)

NED remuneration for the years ended 30 June 2018 and 30 June 2019 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	2019	136,577	-	-	-	12,975	-	137,000	286,552
	2018	134,000	-	-	-	12,730	-	137,000	283,730
A Staines	2019	68,288	-	-	-	6,487	-	-	74,776
	2018	67,000	-	-	-	6,365	-	-	73,365
C Smerdon	2019	68,288	-	-	-	6,487	-	-	74,776
	2018	67,000	-	-	-	6,365	-	-	73,365
T Dodd	2019	68,288	-	-	-	6,487	-	-	74,776
	2018	67,000	-	-	-	6,365	-	-	73,365
F Hele	2019	68,288	-	-	-	6,487	-	-	74,776
	2018	67,000	-	-	-	6,365	-	-	73,365

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 2018 and 30 June 2019 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	2019	526,547	68,629	-	1,770	23,000	19,735	-	639,682
	2018	520,599	66,963	-	7,690	23,000	24,410	-	642,662
D Gauci*	2019	297,057	31,933	-	-	25,000	21,956	515	376,461
	2018	254,438	23,442	-	-	24,540	6,175	3,090	311,685
A Muir	2019	300,269	22,500	-	-	25,017	2,802	-	350,588
	2018	250,000	12,500	-	-	23,750	686	-	286,936
A Haworth #	2019	-	-	-	-	-	-	-	-
	2018	276,055	6,250	-	-	25,569	12,122	3,090	323,086
P Victory	2019	202,827	12,179	-	-	19,568	8,112	515	243,200
	2018	198,773	21,890	-	-	21,480	5,945	3,090	251,178
C Benson **	2019	195,000	4,875	-	-	18,525	497	-	218,897
	2018	3,750	-	-	-	356	-	-	4,106
J McDonald ***	2019	168,269	8,750	-	-	15,986	211	-	193,215
	2018	-	-	-	-	-	-	-	-
B Martlew	2019	129,808	5,200	-	-	12,332	3,348	-	150,687
	2018	101,594	-	-	-	9,536	3,433	-	114,563
M Niemann	2019	192,782	6,270	-	-	18,527	10,188	343	228,110
	2018	189,002	3,783	-	-	19,001	6,816	2,060	220,662
A Hayes ##	2019	263,191	-	-	-	22,442	(318)	-	285,314
	2018	293,224	-	-	-	19,988	318	-	313,530

Table 4.2

Ceased to be a KMP 1 July 2018; ## Resigned 4 December 2018; * Appointed COO 29 April 2019 – previously Chief Marketing Officer; ** Appointed CIO 12 June 2018; *** Appointed Legal Counsel and Company Secretary 11 July 2018

Short Term Incentives

The Company measures key performance indicators (KPIs) covering financial and non-financial, Group and business unit measures of performance. For each KPI, a target and stretch objective is set. Group Net Profit After Tax (NPAT) and business unit Earnings Before Interest and Tax (EBIT) are the measures against which management and the Board assess the short term financial performance of the Group.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
2019 AUDITED REMUNERATION REPORT (cont...)

The non-financial measures in the STI include:

- Implementation of growth initiatives
- Customer satisfaction
- Safety
- Leadership / contribution

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. These are in line with prior 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	\$274,517	<ul style="list-style-type: none"> • Group exceeds budgeted NPAT by 5% not met. • Growth in shareholder value of 10% (measured by EPS) not met. • 25% of KPI's met 	-	\$68,629
D Gauci	\$58,061	<ul style="list-style-type: none"> • 55% of KPI's met 	-	\$31,933
A Muir	\$60,000	<ul style="list-style-type: none"> • Group exceeds budgeted NPAT by 5% not met. 38% of KPI's met 	-	\$22,500
P Victory	\$40,596	<ul style="list-style-type: none"> • 30% of KPI's met 	-	\$12,179
C Benson	\$19,500	<ul style="list-style-type: none"> • 25% of KPI's met 	-	\$4,875
J McDonald	\$17,500	<ul style="list-style-type: none"> • 50% of KPI's met 	-	\$8,750
B Martlew	\$13,000	<ul style="list-style-type: none"> • 40% of KPI's met 	-	\$5,200
M Niemann	\$19,293	<ul style="list-style-type: none"> • 33% of KPI's met 	-	\$6,270

Table 4.3

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

	J Ellison	D Gauci	A Muir	C Benson	J MacDonald	B Martlew	M Niemann	P Victory
2019	11%	8%	6%	2%	5%	3%	3%	5%
2018	73%	79%	34%	-	-	-	2%	9%

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 \$549,547 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 NPAT;
- SeaLink Travel Group exceeding Group budgeted NPAT by 10%; and
- Reaching specifically defined Key Performance indicators.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
2019 AUDITED REMUNERATION REPORT (cont...)

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 Net Profit After Tax (NPAT) from continuing operations, earnings per share, gross dividends paid, dividend paid per share and share price at year end:

	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2019 \$'000
Revenue	104,422	111,748	177,459	201,407	209,436	251,321
NPAT	7,233	9,349	22,349	23,832	19,565	21,543
Gross Dividend paid	5,499	5,761	7,624	13,654	14,667	15,214
Earnings per share (cents)	11.8	12.6	23.6	23.6	19.3	21.3
Dividend paid per share (cents)	7.4	7.8	12.0	14.0	14.5	15.0
Share Price (\$)	1.89	2.19	4.08	4.07	4.43	3.81

Table 6.1

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

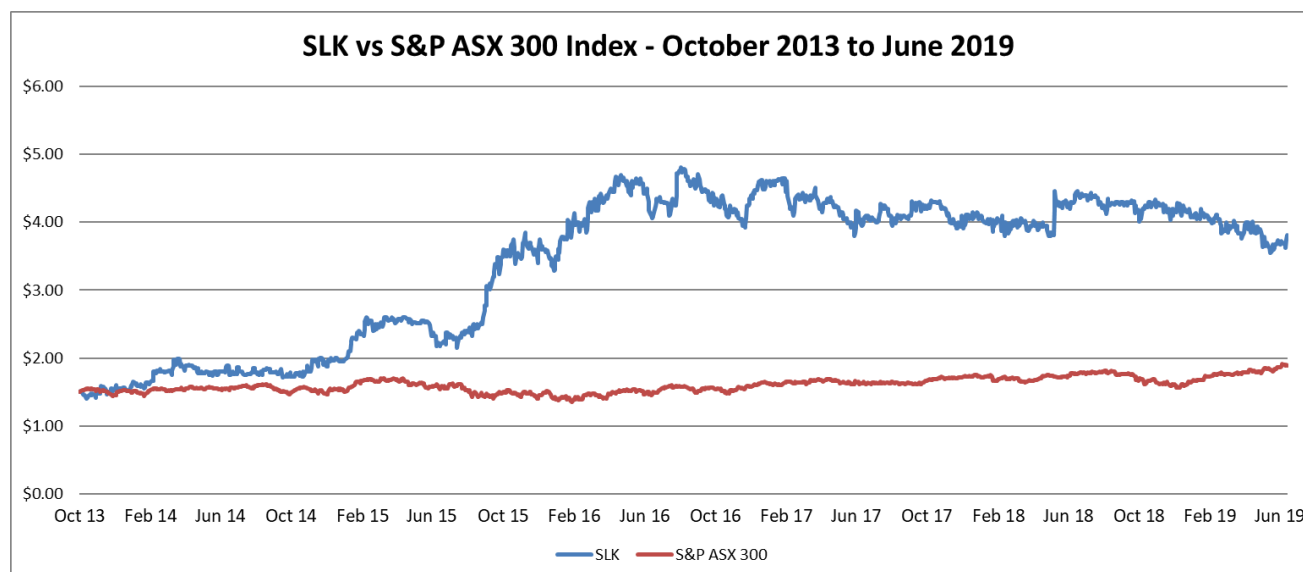


Table 6.2

The Compound Annual Growth Rate (CAGR) of SeaLink' share price during the period was 17.57% compared with the CAGR of the S&P ASX 300 which was 4.08%.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
2019 AUDITED REMUNERATION REPORT (cont...)

7. Options, Shareholdings and Performance Rights of KMP

Options held by KMP

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	\$4.11	26/10/2019	-
Total	100,000			-	100,000	-		-

Table 7.1

Year End 30 June 2019	Balance 1 July 2018	Grant Date	Awarded/ (Forfeited)	Exercised	Balance 30 June 2019	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	\$4.11	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 2019, 100,000 options to KMP remained outstanding. In addition to the above, Nil share options (2018: 200,000) share options, which vested in October 2015 were held by senior staff.

Shareholdings held by KMP

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	-
C Benson	-	-	-	-	-
J McDonald	-	-	-	-	-
B Martlew	4,500	-	-	4,500	-
M Niemann	-	-	-	-	-
A Hayes	-	-	-	-	-
Total	17,019,894	-	(206,222)	16,809,172	-

Table 7.3

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
2019 AUDITED REMUNERATION REPORT (cont...)

Year end 30 June 2019	Balance 1 July 2018	Exercise of Options	Acquired / (Sold)	Balance 30 June 2019	Amount Paid per Share on Option Exercise
Directors					
A McEvoy	19,579	-	-	19,579	-
J Ellison	5,524,769	-	-	5,524,769	-
T Dodd	5,035,990	-	(249,412)	4,786,578	-
F Hele	10,000	-	-	10,000	-
A Staines	-	-	-	-	-
C Smerdon	6,104,500	-	-	6,104,500	-
Other KMP					
D Gauci	10,000	-	8,000	18,000	-
A Muir	-	-	-	-	-
P Victory	59,889	-	17,236	77,125	-
C Benson	-	-	9,324	9,324	-
J McDonald	-	-	-	-	-
B Martlew	4,500	-	-	4,500	-
M Niemann	-	-	10,000	10,000	-
A Hayes*	-	-	-	-	-
Total	16,769,227	-	(204,852)	16,564,375	-

Table 7.4

*Resigned 4 December 2018

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 2019.

The following Performance Rights have been issued to KMP in prior periods:

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
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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
2019 AUDITED REMUNERATION REPORT (cont...)

8. Remuneration Governance

Remuneration Committee

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

This Committee has delegated authority for some matters related to remuneration arrangements for Executives, and is required to make recommendations to the Board on other matters. Specifically, the Board approves the remuneration arrangements of the Managing Director, following recommendations from the Remuneration Committee.

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

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

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

A handwritten signature in cursive script that reads "Andrea Staines". A long, thin horizontal line is drawn below the signature, extending from the start of the name to the right.

A Staines
Chair, Remuneration Committee
SeaLink Travel Group Limited

Sydney
Date: 27 August 2019

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:

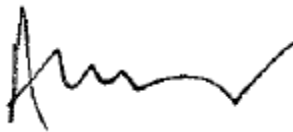
(i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

(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 2019.

On behalf of the Board



SeaLink Travel Group Limited
Andrew McEvoy
Chair
27 August, 2019

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Continuing Operations			
Revenue from contracts with customers	1A (a)	248,779	208,246
Interest income		38	27
Other income	1A (b)	2,504	1,163
Total income		<u>251,321</u>	<u>209,436</u>
Direct Operating Expenses -			
Direct wages		76,405	59,744
Repairs and maintenance		14,336	10,367
Fuel		13,294	10,083
Commission		12,397	8,487
Meals and beverage		14,530	11,507
Accommodation		384	3,557
Tour costs		11,965	9,335
Depreciation	1B (b)	14,431	11,300
Other direct expenses		12,262	10,226
Administration Expenses -			
Indirect wages		26,477	22,344
General and administration		16,371	14,162
Marketing and selling		4,992	3,578
Financing charges	1B (a)	4,582	3,070
Amortisation of customer contracts and permits	1B (b)	1,944	1,560
Impairment on investment	1B (g)	1,637	-
Business acquisition expenses	1B (h)	364	2,569
Total Expenses		<u>226,371</u>	<u>181,889</u>
Profit before tax from operations		24,950	27,547
Income tax expense	1C	3,407	7,982
Profit for the year from operations		<u><u>21,543</u></u>	<u><u>19,565</u></u>
Attributable to equity holders of the parent		<u><u>21,543</u></u>	<u><u>19,565</u></u>
Earnings per share -			
Basic, profit for the year attributable to ordinary equity holders of the parent		\$ 0.212	\$ 0.193
Diluted, profit for the year attributable to ordinary equity holders of the parent		\$ 0.212	\$ 0.193

Notes to and forming part of the financial statements are included on Pages 27 to 52.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME ("OCI")
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Profit for the year		21,543	19,565
Other comprehensive income -			
Net (loss) / gain on cash flow hedge (interest rate swap)		(2,588)	(724)
Deferred tax		<u>776</u>	<u>217</u>
Net other comprehensive (loss)/gain to be reclassified to Profit & Loss in subsequent financial periods	3C	(1,812)	(507)
Total comprehensive income for the year, net of tax		<u><u>19,731</u></u>	<u><u>19,058</u></u>
Attributable to equity holders of the parent		<u><u>19,731</u></u>	<u><u>19,058</u></u>

Notes to and forming part of the financial statements are included on Pages 27 to 52.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2019**

	Note	2019 \$'000	2018 \$'000
CURRENT ASSETS			
Cash and cash equivalents	2A	11,904	3,242
Trade and other receivables	2B	12,355	11,004
Inventories	2C	4,921	4,738
Current tax asset		5,684	6,334
Prepayments		4,263	2,000
TOTAL CURRENT ASSETS		39,127	27,318
NON-CURRENT ASSETS			
Property, plant and equipment	2D	201,396	210,101
Intangible assets	2E	53,383	55,327
Other financial assets	2F	1,637	3,274
Deferred tax assets	2K	5,936	4,539
TOTAL NON-CURRENT ASSETS		262,352	273,241
TOTAL ASSETS		301,479	300,559
CURRENT LIABILITIES			
Trade and other payables	2G	13,578	10,623
Contract and other liabilities	2I	7,684	6,643
Interest bearing loans and borrowings	2J	822	1,350
Other financial liabilities	2L	943	137
Provisions	2H	11,027	9,600
TOTAL CURRENT LIABILITIES		34,054	28,353
NON-CURRENT LIABILITIES			
Contract and other liabilities	2I	776	805
Interest bearing loans and borrowings	2J	94,957	107,187
Deferred tax liabilities	2K	9,132	9,293
Other financial liabilities	2L	2,832	1,050
Provisions	2H	1,813	1,649
TOTAL NON-CURRENT LIABILITIES		109,510	119,984
TOTAL LIABILITIES		143,564	148,337
NET ASSETS		157,915	152,222
EQUITY			
Contributed equity	3B	96,057	95,557
Reserves	3C	(1,700)	(36)
Retained earnings		63,558	56,701
TOTAL EQUITY		157,915	152,222

Notes to and forming part of the financial statements are included on Pages 27 to 52.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

Consolidated	Note	CASH FLOW HEDGE RESERVE	CONTRIBUTED EQUITY	RETAINED EARNINGS	SHARE BASED PAYMENTS	TOTAL
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017		(324)	95,557	51,804	646	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	-	-	-	-	-
Share based payments	7D	-	-	-	151	151
Balance at 30 June 2018		(831)	95,557	56,701	795	152,222
Balance at 1 July 2018		(831)	95,557	56,701	795	152,222
Profit for the period		-	-	21,543	-	21,543
Other comprehensive income	3C	(1,812)	-	-	-	(1,812)
Total comprehensive income for the period		(1,812)	-	21,543	-	19,731
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	3D	-	-	(14,685)	-	(14,685)
Issue of share capital	3B	-	500	-	-	500
Issue of share options	7D	-	-	-	148	148
Balance at 30 June 2019		(2,643)	96,057	63,558	943	157,915

Notes to and forming part of the financial statements are included on Pages 27 to 52.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		251,606	208,288
Payments to suppliers and employees		(202,878)	(161,567)
Interest received		38	27
Interest paid		(4,582)	(3,070)
Income tax paid		(3,539)	(15,127)
		<u> </u>	<u> </u>
<i>Net operating cash flows</i>	2A	<u>40,645</u>	<u>28,551</u>
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment	2D	<u>12,605</u>	<u>659</u>
		<u>12,605</u>	<u>659</u>
Cash was disbursed to:			
Payments for property, plant and equipment		(17,645)	(13,654)
Investment in unlisted entity		-	(3,274)
Acquisition of new businesses	7A	-	(44,728)
		<u>(17,645)</u>	<u>(61,656)</u>
<i>Net investing cash flows</i>		<u>(5,040)</u>	<u>(60,997)</u>
Cash flows from financing activities			
Proceeds from issue of shares		500	-
Proceeds from borrowings	2J	-	49,350
Repayment of borrowings	2J	(12,758)	(1,945)
Dividend paid	3D	(14,685)	(14,667)
		<u> </u>	<u> </u>
<i>Net financing cash flows</i>		<u>(26,943)</u>	<u>32,738</u>
Net increase / (decrease) in cash held		8,662	292
Cash and cash equivalents at 1 July		<u>3,242</u>	<u>2,923</u>
Cash and cash equivalents at 30 June	2A	<u><u>11,904</u></u>	<u><u>3,215</u></u>

Notes to and forming part of the financial statements are included on Pages 27 to 52.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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SECTION 1: KEY NUMBERS - STATEMENTS OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

1A REVENUE AND OTHER INCOME

	Note	2019 \$'000	2018 \$'000
(a) Revenue from contacts with customers			
Timing of Revenue Recognition			
Goods transferred at a point in time		248,416	207,872
Services transferred over time		363	374
Total		<u>248,779</u>	<u>208,246</u>
(b) Other Income			
Profit on the sale of fixed assets		686	97
Expired bookings and cancellation fees		474	516
Other		1,344	550
Total		<u>2,504</u>	<u>1,163</u>

(c) Contract balances

Contract Liabilities	21	8,460	7,448
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Set out below is the amount of revenue recognised from:

Amounts included in contract liabilities at the beginning of the year	6,471	5,315
Performance obligations satisfied in previous years	172	172

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are, as follows:

Within one year	28,561	28,953
More than one year	44,569	36,862
Total	<u>73,130</u>	<u>65,815</u>

1B EXPENSES

(a) Finance Costs

Interest expense			
- Borrowings		3,858	2,611
- Leases		55	180
Finance charges		669	279
Total		<u>4,582</u>	<u>3,070</u>

(b) Depreciation/Amortisation

Depreciation -			
- Property, plant and equipment		14,095	10,996
- Leased assets		336	304
Total depreciation		<u>14,431</u>	<u>11,300</u>

Amortisation of customer contracts and permits		<u>1,944</u>	<u>1,560</u>
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(c) Employee Benefits expense

Wages and salaries	81,136	66,082
Share based expense	148	151
Other employee benefits / entitlements	5,798	3,584
Superannuation	8,224	6,602
Workers Compensation costs	2,386	1,619
Total employee benefit expenses	<u>97,692</u>	<u>78,038</u>

(d) Lease payments in income statement

Lease and rental expenses	<u>3,076</u>	<u>2,993</u>
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(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:

- Auditing the accounts	215	197
- Other services - Assurance and due diligence	-	-
Total	<u>215</u>	<u>197</u>

(f) Inventory expense

Costs of inventories recognised as an expense	<u>30,134</u>	<u>21,987</u>
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SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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SECTION 1: KEY NUMBERS - STATEMENTS OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME (Cont.)

1B EXPENSES (cont.)

(g) Impairment on investment

Relates to impairment of other financial assets 2F	1,637	-
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(h) Acquisition expense

Costs involved in relation to business acquisitions (stamp duty, legal)	364	2,569
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1C TAX EXPENSE

The major components of income tax expense for the years ended 30 June 2019 and 2018 are:

Consolidated statement of profit and loss

Current tax	4,189	7,846
Deferred tax	(784)	102
Under / (over) provision in respect of prior years plus adjustments	2	34
Income tax expense reported in the income statement	3,407	7,982

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	776	217
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Tax expense reconciliation:

Accounting profit before income tax	24,950	27,547
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The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense as follows:

Income tax expense calculated at 30% of operating profit	7,485	8,264
Other (entertainment etc)	17	49
Non-deductible expenses (goodwill / share option cost)	44	45
Due to Impairment on Investment	492	-
Due to business combination acquisition	-	460
Effect of income that is exempt from taxation	(4,633)	(870)
Amounts under / (over) provided in prior years	2	34
Income tax expense reported in the income statement	3,407	7,982

1D OPERATING SEGMENT REPORTING

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

For management purposes, the Group has four 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, domestic and international sales and marketing, information and technology, fleet management, health and safety and 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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

1D OPERATING SEGMENT REPORTING (cont.)

Year ended 30 June 2019

	Geographical markets:						Eliminations \$'000	Consolidated \$'000
	SA \$'000	CCC \$'000	QLD \$'000	Fraser Island \$'000	Corporate \$'000	Fraser Island \$'000		
Internal revenue	4,570	1,275	1,310	3,642	2,910	(13,707)	-	
External revenue	65,970	53,375	77,833	54,106	37	-	251,321	
Results								
Capital expenditure	6,794	5,179	2,117	2,901	654	-	17,645	
Amortisation of customer contracts	-	156	1,404	385	-	-	1,945	
Depreciation	3,181	2,593	5,437	3,083	137	-	14,431	
Segment profit before interest and allocations - continuing operations	16,882	(1,175)	20,160	4,569	(10,942)	-	29,494	
Corporate allocations	(3,028)	(1,255)	(2,460)	(2,562)	9,305	-	-	
Segment profit before interest and tax - continuing operations	13,854	(2,430)	17,700	2,007	(1,637)	-	29,494	
Interest income							38	
Interest cost and finance charges							(4,582)	
Segment profit before tax - continuing operations							24,950	

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

Year ended 30 June 2018

	Geographical markets:						Eliminations \$'000	Consolidated \$'000
	SA \$'000	CCC \$'000	QLD \$'000	Fraser Island \$'000	Corporate \$'000	Fraser Island \$'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	18,122	488	22,050	(1,020)	(9,050)	-	30,590	
Corporate allocations	(3,226)	(1,086)	(1,722)	(3,016)	9,050	-	-	
Segment profit before interest and tax - continuing operations	14,896	(598)	20,328	(4,036)	-	-	30,590	
Interest income							27	
Interest cost and finance charges							(3,070)	
Segment profit before tax - continuing operations							27,547	

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

	SA \$'000	CCC \$'000	QLD \$'000	Fraser Island \$'000	Corporate \$'000	Eliminations \$'000	Consolidated \$'000
At 30 June 2019							
Operating assets	52,576	51,929	131,530	53,130	694	-	289,859
Operating liabilities	112,167	7,933	7,819	6,512	-	-	134,431
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

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Segment operating assets	289,859	289,686
Current tax asset	5,684	6,334
Deferred tax assets	5,936	4,539
Group total assets	301,479	300,559
Segment operating liabilities	134,431	139,044
Current tax liabilities	-	-
Deferred tax liabilities	9,132	9,293
Group total liabilities	143,563	148,337

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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-

	2019 \$'000	2018 \$'000
Cash	6,167	3,069
Cash on deposit	5,737	173
Total cash and cash equivalents	<u>11,904</u>	<u>3,242</u>

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

Profit for the year after income tax	21,543	19,565
Non-cash items		
Depreciation and amortisation of non-current assets	16,375	12,860
Deferred income	2,341	(345)
Loss / (Profit) on disposal of non-current assets	(686)	(75)
Impairment on Investment	1,637	-
Share option cost	148	151
Changes in net assets and liabilities		
Tax balances increase / (decrease)	(908)	(7,362)
Current trade receivables (increase) / decrease	(1,351)	(694)
Current inventories (increase) / decrease	(183)	(1,335)
Other current assets decrease / (increase)	(2,263)	(42)
Current trade and other creditors increase / (decrease)	2,401	3,573
Employee entitlements increase / (decrease)	1,591	2,282
Net cash provided by operating activities	<u>40,645</u>	<u>28,578</u>

2B TRADE AND OTHER RECEIVABLES - CURRENT

Trade receivables	11,395	10,515
Other	972	520
Allowance for expected credit loss	(12)	(31)
Total trade and other receivables	<u>12,355</u>	<u>11,004</u>

Trade receivables are non-interest bearing and are generally on 30-60 day terms. An allowance is made for trade receivables and other assets, as the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

	<i>Individually Impaired</i>	<i>Individually Impaired</i>
Allowance for credit loss-		
Opening balance	(31)	(24)
Charge for the year	-	(22)
Utilised	19	15
Closing balance	<u>(12)</u>	<u>(31)</u>

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

	Total \$000	0-30 days \$000	31-60 days \$000	61-90 days \$000	Over 90 days \$000
2019 - Consolidated	11,395	9,130	1,679	449	137
Expected loss rate		0.03%	0.10%	0.25%	5.00%
Expected credit loss	12	2	2	1	7
2018 - Consolidated	7,377	6,403	463	250	230
Expected loss rate		0.03%	0.25%	0.25%	12%
Expected credit loss	31	2	1	1	27

2C INVENTORIES

Fuel (at cost)	438	460
Goods held for resale (at cost)	1,848	1,508
Spare parts	2,635	2,770
Total current inventories	<u>4,921</u>	<u>4,738</u>

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

2D PROPERTY, PLANT AND EQUIPMENT

		2019 \$'000	2018 \$'000
Land and buildings			
<i>Cost</i>			
Opening balance		46,170	20,255
Additions		284	297
Transfers		-	-
Acquired through business combinations	7A	-	25,618
Disposals		-	-
Closing balance		<u>46,454</u>	<u>46,170</u>
<i>Accumulated depreciation</i>			
Opening balance		3,744	3,105
Disposals		-	-
Transfers		-	-
Depreciation for the year	1B (b)	844	639
Closing balance		<u>4,588</u>	<u>3,744</u>
Total land and buildings, net		<u>41,866</u>	<u>42,426</u>
Plant and equipment			
<i>Cost</i>			
Opening balance		30,093	20,689
Transfers		8	(12)
Transfer from capital works-in-progress		877	-
Acquired through business combinations	7A	-	8,526
Additions		2,902	1,652
Disposals		(795)	(762)
Closing balance		<u>33,085</u>	<u>30,093</u>
<i>Accumulated depreciation</i>			
Opening balance		9,662	8,151
Transfers		0	-
Depreciation for the year	1B (b)	4,068	2,099
Disposals		(692)	(588)
Closing balance		<u>13,038</u>	<u>9,662</u>
Total plant and equipment, net		<u>20,047</u>	<u>20,431</u>
Plant and equipment under lease			
<i>Cost</i>			
Opening balance		3,302	2,290
Additions		-	1,012
Transfers		-	-
Disposals		(64)	-
Closing balance		<u>3,238</u>	<u>3,302</u>
<i>Accumulated depreciation</i>			
Opening balance		519	215
Depreciation for the year	1B (b)	336	304
Transfers		-	-
Disposals		(31)	-
Closing balance		<u>824</u>	<u>519</u>
Total leased plant and equipment, net		<u>2,414</u>	<u>2,783</u>
Ferries			
<i>Cost</i>			
Opening balance		184,235	173,052
Additions		5,988	4,070
Acquired through business combinations	7A	-	3,400
Transfers from capital works-in-progress		3,662	4,381
Disposals		(15,413)	(668)
Closing balance		<u>178,472</u>	<u>184,235</u>
<i>Accumulated depreciation</i>			
Opening balance		42,030	34,028
Depreciation for the year	1B (b)	9,184	8,258
Transfers		-	0
Disposals		(3,631)	(256)
Closing balance		<u>47,583</u>	<u>42,030</u>
Total ferries, net		<u>130,889</u>	<u>142,205</u>

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

2D PROPERTY, PLANT AND EQUIPMENT (cont.)

	Note	2019 \$'000	2018 \$'000
Capital works-in-progress			
Opening balance		2,256	-
Additions		8,465	6,623
Transfers to ferries and other PPE		(4,541)	(4,367)
Closing balance - as described below		<u>6,180</u>	<u>2,256</u>
Total property, plant and equipment, net		<u>201,396</u>	<u>210,101</u>

At 30 June 2019, there were three vessels under construction, three bus refurbishments underway and the fitout for the upgrade facilities in Queensland. At 30 June 2018, there were two vessels under construction, three bus re-builds and the fitout for the new corporate office in Adelaide. Refer also to Note 6A for capital commitments.

2E INTANGIBLE ASSETS

<i>Goodwill - at cost</i>			
<i>Cost</i>			
Opening balance		47,929	40,429
Additions through business combinations	7A	-	7,500
Closing balance		<u>47,929</u>	<u>47,929</u>
<i>Accumulated Impairment</i>			
Opening and closing balance		(129)	(129)
Total goodwill		<u>47,800</u>	<u>47,800</u>
<i>Customer contracts and permits</i>			
Opening balance		7,527	5,888
Additions through business combinations		-	3,199
Closing balance - at cost		<u>7,527</u>	<u>9,087</u>
Less - amortisation during the period		(1,944)	(1,560)
Total customer contracts		<u>5,583</u>	<u>7,527</u>
Total intangible assets, net		<u>53,383</u>	<u>55,327</u>

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 2019.

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 growth rates as below for a five-year period as approved by management.

For all CGU's, an EBIT multiple of between 6 and 7 times year five 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 10.5% (2018:11.0%) 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:

SeaLink Queensland :

- *Passenger numbers to Magnetic Island* - An increase of 2% 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 (2% assumed) adjusted for significant expected engine rebuilds and refurbishments.

KI Odyssey:

- *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.

Captain Cook Cruises WA:

- *Passenger revenue for CCC WA* - An increase of 2% in traffic as well as a 2% pricing increase based on increased tourism flow and growth from Elizabeth Quay and 7% growth in the Rottnest Island operation.

Transit Systems Marine business:

- *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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

2E INTANGIBLE ASSETS (cont.)

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. If annual growth is less than 4% year on year the CGU would be impaired. The current carrying value of the CGU is \$19.015m and this exceeds the recoverable amount by \$3.2m. If growth was 4% year on year the carrying value of the CGU is \$15.8m and this exceeds the recoverable amount by nil.

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 \$3,200,000.

During the period, the Company recorded an amortisation of \$1,944,000 associated with customer contracts and permits with an associated reduction in the Deferred Tax Liability of \$584,000.

2019	2018
\$'000	\$'000

2F OTHER FINANCIAL ASSETS

Investment in UWAI Limited (i)		
Opening balance	3,274	-
Movement in fair value	(1,637)	3,274
Closing balance	1,637	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 contract with an option to convert to equity. The investment has been impaired based on fair market valuation.

The fair value hierarchy is Level 3 for the investment, as there are significant unobservable inputs.

2G TRADE AND OTHER PAYABLES

Current (all unsecured)

Trade creditors (i)	6,188	5,790
Sundry payables and accruals	7,390	4,833
Total current trade and other payables	13,578	10,623

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

2H PROVISIONS

Current

Employee entitlements	11,027	9,600
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Non-Current

Employee Entitlements	1,813	1,649
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2I CONTRACT LIABILITIES AND OTHER LIABILITIES

Current

Deferred income - Government grant	597	172
Contract liability - Prepaid travel (a)	7,087	6,471
Total current liabilities	7,684	6,643

Non-Current

Deferred income - Government grant	776	805
Total non-current liabilities	776	805

(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 2019 (2018: 1 July 2018).

Government Grants

A new grant was received during the year to commence operations in Bruny Island Tasmania. All grants are released to income equally over the expected useful life of the asset. Previous grants released to income totalled \$454,702 (2018:\$171,639).

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

2J INTEREST BEARING LOANS AND BORROWINGS

	2019 \$'000	2018 \$'000
Current		
Secured:		
Bank and other loans (i)	-	-
Lease liabilities (ii) (Note 6A)	822	1,350
Total current interest bearing liabilities	<u>822</u>	<u>1,350</u>
Non-Current		
Secured:		
Bank and other loans (i)	92,500	104,050
Lease liabilities (ii) (Note 6A)	2,457	3,137
Total non-current interest bearing liabilities	<u>94,957</u>	<u>107,187</u>

(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. Guarantees provided total \$2,355,735 (2018: \$1,421,663). Bank loans have been drawn down under an interchangeable bill facility with a limit of \$118.0m with ANZ which matures 30 November 2020. The facility is provided on a fixed and floating rate basis. As at year end the balance of \$30m had a fixed rate of 3.85% (2018: \$30m, 3.93%) and the balance of \$62.5m was at a floating rate of 2.2% (2018: \$74.05m, 3.5%). The current facility limit will reduce by \$5m by June 2020. This limit is reviewed annually. As part of the interchangeable facility with ANZ, \$15m has been allocated for lease facilities. Committed financing facilities of \$133,653,431 (2018: \$134,339,598) were available to the consolidated entity at the end of the financial year. As at that date, \$109,715,166 (2018: \$109,987,903) of these facilities were in use.

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.

Interest bearing loans and borrowings have a fair value of \$95,756,000 (2018: \$108,545,613) and a carrying value of \$94,779,000 (2018: \$108,537,239). During the year, interest bearing borrowings of \$12,758,000 were repaid from funds raised through cashflow from operations. No drawdowns were made.

	1 July 2018 \$'000	Cashflows \$'000	New Leases \$'000	30 June 2019 \$'000
Reconciliation of debt to financing cashflows				
Current Interest-bearing loans and borrowings	-	-	-	-
Current obligations under lease/hire purchase	1,350	(528)	-	822
Non-current Interest-bearing loans and borrowings	104,050	(11,550)	-	92,500
Non-current obligations under lease/hire purchase	3,137	(680)	-	2,457
Total liabilities from financing activities	<u>108,537</u>	<u>(12,758)</u>	-	<u>95,779</u>

2K DEFERRED TAX

Deferred income tax at 30 June relates to the following:

	Statement of Financial Position		Statement of Profit and Loss	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
CONSOLIDATED				
Deferred tax assets				
Provision for doubtful debts	3	9	6	(6)
Government grants	-	-	-	(345)
Prepaid Revenue	412	293	(119)	293
Accruals	179	41	(138)	31
Capital expense timing differences	357	464	106	47
Revaluation of cash flow hedge (interest rate swap)	1,133	357	-	-
Property, Plant & Equipment	-	-	-	(286)
Employee entitlements	3,852	3,375	(477)	65
Total deferred tax assets	<u>5,936</u>	<u>4,539</u>		
Deferred tax liabilities				
Property, Plant & Equipment	8,111	7,774	337	(333)
Intangible Assets	830	1,298	(468)	468
Consumables	143	166	(23)	(17)
Prepayments	48	55	(7)	(19)
Total deferred tax liabilities	<u>9,132</u>	<u>9,293</u>	<u>(783)</u>	<u>(102)</u>
Deferred income tax expense			<u>(783)</u>	<u>(102)</u>

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

2L OTHER FINANCIAL LIABILITIES

	2019 \$'000	2018 \$'000
Derivative designated as hedging instrument		
Current		
Interest rate swap	943	137
Non-current		
Interest rate swap	2,832	1,050
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 2019, the gearing ratio was 33.9% (2018: 45.9%).

3B EQUITY

	Contributed Equity		No. of Shares on Issue	
	2019 \$'000	2018 \$'000	2019 000's	2018 000's
Issued and fully paid ordinary shares (all issued shares fully paid)-				
Opening balance	95,557	95,557	101,429	101,154
Conversion of options (refer Note 7D)	500	-	275	-
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	96,057	95,557	101,704	101,154

3C RESERVES

Share Option Reserve

Opening balance	795	644
Share option expense	148	151
Closing balance	943	795

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

Opening balance	(831)	(324)
Revaluation of interest rate hedge (refer Note 4B)	(1,812)	(507)
Closing balance	(2,643)	(831)
Total reserves	(1,700)	(36)

3D DIVIDENDS

Dividends on ordinary shares declared and paid during the period:

Interim dividend for 2019: 6.5 cents (2018: 6.5 cents)	6,593	6,575
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 30 June):

Final dividend for 2019: 8.5 cents (2018: 8.0 cents)	8,621	8,092
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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	49,999	52,752
Franking credits that will arise from (be utilised in) the payment of income tax as at the end of the financial year.	-	-
	49,999	52,752

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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-

	2019 \$'000	2018 \$'000
Net profit attributable to ordinary equity holders of the parent and for basic earnings and adjusted for the effect of dilution	21,543	19,565
	000's	000's
Weighted average number of ordinary shares for basic earnings per share	101,412	101,154
Effect of dilution from share options and performance rights	-	200
Weighted average number of ordinary shares adjusted for dilution	101,412	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 -

Basic, profit for the year attributable to ordinary equity holders of the parent	\$	0.212	\$	0.193
Diluted, profit for the year attributable to ordinary equity holders of the parent	\$	0.212	\$	0.193

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2019

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 2019 and 30 June 2018. 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 2019. 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	
	2019	2018	2019	2018	2019	2018	2019	2018
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets								
<i>Floating Rate</i>								
Cash Assets	0.6%	0.3%	11,904	3,242	-	-	11,904	3,242
Financial assets (i)	1.5%	1.5%	-	-	1,637	3,274	1,637	3,274
Financial Liabilities								
<i>Floating Rate</i>								
Overdraft (ii)	2.20%	3.50%	-	-	-	-	-	-
Bank and other loans	2.20%	3.54%	-	-	62,500	74,050	62,500	74,050
<i>Fixed Rate</i>								
Bank and other loans	3.85%	3.93%	-	-	30,000	30,000	30,000	30,000
Leases (ii)	3.71%	3.69%	822	1,350	2,457	3,137	3,280	4,487
Net Exposure			11,082	1,892	(93,320)	(103,913)	(82,239)	(102,021)

(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 30 June 2019	Consolidated 30 June 2018	Consolidated 30 June 2019	Consolidated 30 June 2018
Judgement of reasonably possible movements -				
Movement of 0.5% increase in rates	(324)	(364)	(206)	(108)
Movement of a 1% decrease in rates	648	728	(425)	(1,306)

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 2019. A 12 month fuel hedge is in place commencing 1 July 2019. The group is exposed to changes in fuel price on the volumes that are not fixed price.

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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION 4: RISK (cont.)

4A FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)

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. As required by IFRS 9, the Group used the simplified approach in calculating expected credit loss (ECL) for trade receivables and contract assets that did not contain a significant financing component. The Group applied the practical expedient to calculate ECL using a provision matrix.

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 2019.

	Year ended 30 June 2019				TOTAL
	On demand	0 - 3 months	3 -12 months	1-5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest-bearing loans and borrowings	-	810	2,428	92,500	95,738
Trade and other payables	-	13,578	-	-	13,578
Other financial liabilities	-	-	-	633	633
Financial guarantee contracts	1,550	-	-	-	1,550
Leases/hire purchase	-	205	616	2,700	3,521
TOTAL	1,550	14,593	3,044	95,833	115,020

	Year ended 30 June 2018				TOTAL
	On demand	0 - 3 months	3 -12 months	1-5 years	
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	13,266	3,677	107,910	126,403

4B FINANCIAL INSTRUMENTS

Cash flow hedge for interest rate risk

In the prior 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 Interest rate swap is designed as a cashflow hedge.

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, the gross difference of \$3,775,000 was recorded as a financial liability with the associated tax effect forming part of Deferred Tax Asset. The net difference of \$1,812,000 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. Management mitigates risk by swapping floating rate debt to fixed rate. As at year end \$30m bank loans are fixed.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION 5: ACCOUNTING POLICIES

5A BASIS OF PREPARATION

The consolidated financial statements for the year ended 30 June 2019 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 and the UWAI investment, 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

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Interest rate derivatives which are designated and documented as part of a cash flow hedge relationship, are measured at fair value with changes in fair value recognised in other comprehensive income if the hedge relationship is 100% effective.

The ineffective portion of 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 weighted average cost.

(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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

Where the Group is a lessee:

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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of AASB 9, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

(g) Employee benefits

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

(h) Impairment of non-financial assets

At each reporting date, the consolidated entity reviews the carrying value of its tangible and intangible assets of 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 -

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION 5: ACCOUNTING POLICIES (cont.)

5B SIGNIFICANT ACCOUNTING POLICIES (cont.)

(i) Property, plant and equipment (cont.)

	<u>Life</u>
Buildings	14 - 40 years
Plant and equipment	3 - 20 years
Plant and equipment under lease	3 - 5 years
Ferry	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.

(j) Revenue from contracts with customers

Revenue from transport of passengers, freight and accommodation is recognised at the time of delivery of the service to the customer, which is the time where the control is transferred and when each separate performance obligation in the customer contract is fulfilled given the short time services are provided (less than a day). This typically occurs on a departure date or booking date basis whereby customers or groups who have paid for services have actually departed on those travel or accommodation services. The revenue is recognised in the month of the said departure date.

Some of the ferry and freight transports have a series of performance obligations, but as the duration of these transports are short term the impact from splitting these contract into "distinct services" does not have material impact.

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

Revenue is recognised at the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer, excluding GST and after deduction of trade discounts. Trade Receivables typically do not contain a significant financing component. The general credit terms are overall short and are following market terms.

Accounting estimates and judgements are made in order to determine time of delivery and account for income accruals when it is deferred. These accounting estimates and judgements are based on experience and continuous follow-up on service delivered.

Principal versus agent considerations and transition to AASB 15

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. Under AASB 15, the Group does not have control over the services provided either before or after they are transferred to customers, and hence is an agent in these contracts. This results in a decrease in revenue from the sale of the goods and services and cost of sales and an increase in revenue from rendering the services by the difference since they are recorded at net. Based on the modified retrospective approach the impact reported is to decrease Revenue from contracts with customers and to decrease Direct operating expenses \$4,946,000 (2018: \$4,599,000).

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.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION 5: ACCOUNTING POLICIES (cont.)

5B SIGNIFICANT ACCOUNTING POLICIES (cont.)

(l) Trade and other receivables

Trade receivables, which generally have 14 - 60 day terms, are recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(m) Contributed equity

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

(n) Trade and other payables

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

(o) Foreign Currency transactions and balances

Functional and presentation currency

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

Transaction and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

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

(p) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Statement of 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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION 5: ACCOUNTING POLICIES (cont.)

5B SIGNIFICANT ACCOUNTING POLICIES (cont.)

(s) Interest bearing loans and borrowings

All loans and borrowings are initially measured at fair value adjusted for directly attributable costs. Initial recognition occur when the Group becomes a party to the contractual provisions of the agreement and derecognised when the obligation under the liability is discharged or cancelled or expires.

Subsequent 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. The loan is derecognised when the obligation under the liability is discharged or cancelled or expires.

(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 - Vessels and useful life

Useful life of vessels – Estimated useful life of vessels is based on current and forecast utilisation, market experience and knowledge of the types of vessel the company owns. The useful life of a vessel is generally between 5-25 years. Residual value at end of useful life is based on experience and knowledge of the market for used vessels.

(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:

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION 5: ACCOUNTING POLICIES (cont.)

(v) Fair values (cont.)

- * 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 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 year ended 30th June 2019.

AASB 15:

The Group applies, for the first time, AASB 15 *Revenue from Contracts with Customers* that requires re-statement of previous financial statements.

The impact on the statement of profit or loss (increase/(decrease)) for the twelve months ended 30 June 2019 is as follows:

Adjustments	For the year ended	
	2019 \$'000	2018 \$'000
Revenue from contracts with customers	(a) (4,946)	(4,599)
Cost of sales	(a) (4,946)	(4,599)
Profit for the period	<u>-</u>	<u>-</u>

(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 of 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 modified 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.

AASB 9:

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all 3 aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The group applied AASB 9 prospectively and has not restated the comparative information, which continues to be reported under AASB 39. On transition to AASB 9 the investment in Uwai was classified at FVTPL consistent with the treatment under AASB 139. Trade and other receivables continue to be accounted for at amortised costs. Management utilise the general approach to calculate the ECL provision on the investment in UWAI.

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through the profit or loss and contract assets. The new methodology for impairment did not result in an impact on transition to AASB 9.

The Group adopted AASB 9 using the modified 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 standard, interpretation or amendment that has been issued but is not yet effective.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION 5: ACCOUNTING POLICIES (cont.)

5D ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

For the year ended 30 June 2020, the Group applies, for the first time AASB 16 Leases. The impact on the Group's Financial Statements as at 1 July 2019 would be recognise the right of use asset (ROU asset) \$14,495,000 and corresponding lease liability \$14,495,000.

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 2019 are outlined in the table as follows:

<i>Reference</i>	<i>Title</i>	<i>Summary</i>	<i>Application Date of Standard</i>	<i>Application Date for Group</i>
AASB 16	Leases	<p>The key features of AASB 16 are as follows:</p> <p>AASB 16 provides a new lease accounting model which requires a lessee to recognise a right of use asset representing its right to use the underlying asset and lease liabilities, for leases with a term of more than 12 months, unless the underlying asset is of a low value. the depreciation of the right of use asset and interest on the lease liability will be recognised in the consolidated income statement.</p> <p>Impact on the Group:</p> <p>SeaLink operates predominantly as a lessee and the impact will affect primarily the accounting for operating leases and to a lessor extent financial leases.</p> <p>All operating leases have been reviewed and assessed as if they were a finance lease to determine the value of the right of use asset, after considering the term and current monthly payments.</p> <p>The Group expects to apply the modified transitional approach, with election of the option to retrospectively measure the right-of-use asset using a transition discount rate. The cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019, with no restatement of comparative information.</p>	1 January 2019	1 July 2019
IFRIC 23	Income Taxes	<p>Uncertainty over Income Tax Treatments</p> <p>IFRIC 23 provides clarification for the application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.</p> <p>The Changes will not have a material impact on the Group</p>	1 January 2019	1 July 2019

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	2019	2019	2018	2018
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial Assets				
Cash	11,904	11,904	3,242	3,242
Other financial assets	1,637	1,637	3,274	3,274
Trade and other receivables	12,355	12,355	11,004	11,004
Financial Liabilities				
Bill facilities	92,500	92,500	104,050	104,050
Other loans	-	-	-	-
Interest rate swap	3,775	3,775	1,187	1,187
Lease and hire purchase	3,279	3,256	4,487	4,496
Trade and sundry creditors	13,578	13,578	11,952	11,952

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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION 6: COMMITMENTS AND CONTINGENCIES

6A COMMITMENTS

	30 June 2019	30 June 2018
	\$'000	\$'000
a) Capital commitments -		
Vessels and buses (i)	20,879	1,542
Other	170	712
	21,049	2,254
(i) Vessels and buses include 3 new vessels and 2 buses.		
b) Commitments under non-cancellable operating leases (not including any options to extend):		
Not later than one year	3,507	3,436
Later than one year but not later than five years	9,223	9,258
Later than five years	3,355	2,866
	16,085	15,560
c) Finance lease commitments -		
Not later than one year	822	1,350
Later than one year but not later than five years	2,700	3,522
Minimum lease payments	3,522	4,872
Future finance charges	(243)	(385)
Net finance lease liability	3,279	4,487
Included in Interest Bearing Loans and borrowings (Note 2J) as -		
Current liability	822	1,350
Non-current liability	2,457	3,137
	3,279	4,487

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 -

Within one year	-	1,546
After one year but not more than five years	-	-
	-	1,546

6B CONTINGENCIES

There were no contingencies of material note as at 30 June 2019 (2018: Nil).

6C EVENTS AFTER THE REPORTING PERIOD

A fully franked dividend of \$8,621,474 representing 8.5 cents per share based on the current number of ordinary shares was declared by the Directors on 27 August 2019 to be paid 20 September 2019. 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.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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 final and unchanged from the 2018 report.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION 7: OTHER (cont.)

7A BUSINESS COMBINATIONS (cont.)

Acquisitions in the year ended 30 June 2018 (cont.)

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 to 30 June 2018, 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 diligence process.

\$'000

Additional cash flows on acquisition:

Transaction costs of the acquisition (included in cash flows from Operations)	(364)
Transaction costs associated with issuance of shares	-
Total additional cash flows on acquisition	<u>(364)</u>

7B CORPORATE INFORMATION

The consolidated financial statements of the SeaLink Travel Group Limited for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of Directors on 27 August 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 1D.

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

	2019 \$'000	2018 \$'000
Current Assets	-	-
Non-current Assets	81,608	82,687
Total Assets	<u>81,608</u>	<u>82,687</u>
Current Liabilities / (Asset)	(15,919)	(14,344)
Non-current Liabilities	2,206	2,206
Total Liabilities / (Asset)	<u>(13,713)</u>	<u>(12,138)</u>
Net Assets	<u>95,321</u>	<u>94,825</u>
Contributed equity	96,057	95,557
Reserves	943	795
Retained profits	(1,679)	(1,527)
Total Parent Equity	<u>95,321</u>	<u>94,825</u>
Profit or loss of the parent entity	14,685	14,667
Total comprehensive income of the parent entity	<u>14,685</u>	<u>14,667</u>

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

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, SeaLink Travel Group Limited and subsidiaries have entered into a new deed of cross guarantee on 3 June 2019 to incorporate the newly acquired Kingfisher Bay Resort Group - Fraser Island. The effect of the deed is that SeaLink Travel Group Limited has guaranteed to pay any deficiency in the event of winding up any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event SeaLink Travel Group Limited is wound up or it does not meet its obligations under the terms of the overdrafts, loans, leases or other liabilities subject to the guarantee.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION 7: OTHER (cont.)

7D SHARE OPTION PLANS

(a) Recognised share-based payment expenses;		
Expense arising from options issued in 2015	-	-
Expense arising from performance rights issued in 2016	11	14
Expense arising from options issued in 2017	137	137
Expense arising from performance rights issued in 2017	-	-
Total expense	148	151

(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.

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

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

* Performance Rights issued to Mr J Ellison

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

Options

	2019		2018	
	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	(200)	n/a	-	n/a
Outstanding at year end	100	1.67	300	1.67

The outstanding balance is represented by -

Type	2019	2018
ESOP	-	200
Directors	100	100
	100	300

No ordinary shares were issued during the year as a result of conversion of share options (2018: Nil).

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

SECTION 7: OTHER (cont.)

7D SHARE OPTION PLANS (cont.)

<i>Performance rights</i>	2019		2018	
	Number ('000's)	WAEP	Number ('000's)	WAEP
Outstanding at the beginning of the year	280	n/a	280	n/a
Granted (under the Employee Share Option Plan)	-	\$Nil	-	\$Nil
Forfeited	(15)	\$Nil	(15)	\$Nil
Exercised	-	n/a	-	n/a
Outstanding at year end	265	\$Nil	265	\$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	Chief Operating Officer
Mr A Muir	Chief Financial Officer and Company Secretary
Ms J McDonald	General Counsel and Company Secretary
Mr C Benson	Chief Information Officer
Mr P Victory	General Manager, Growth and Innovation
Mr M Niemann	Group Fleet Manager
Ms B Martlew	Group HR Manager

(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 \$101,106 from Vectra Corporation Ltd, a company associated with Mr C Smerdon (2018: \$33,308);
- Purchases and services totalling \$13,662 from Pacific Marine, a company associated with Mr T Dodd (2018: \$Nil);

(c) Key Management Personnel Remuneration

	2019 \$'000	2018 \$'000
Short-Term	2,438	2,472
Post employment	180	176
Other long-term benefits - LSL	67	50
Termination Benefits	-	-
Share-based payment	1	105
	<u>2,686</u>	<u>2,803</u>

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

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 2019, 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 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

Goodwill impairment assessment

Why significant

The Group annually assesses the carrying value of goodwill as required by Australian Accounting Standards.

The Group determined the recoverable amount of its individual cash generating units (CGUs) to which the goodwill was allocated on a value in use basis.

This was considered a key audit matter due to the judgment exercised by the Group in this assessment 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 Western Australian (CWA) CGU has underperformed against budget expectations predominantly in light of the start-up nature of the Rottneest 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.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Agreed the projected cash flows for 2020 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 rate, growth rates and terminal values used in the model for the identified higher risk CWA CGU.
- Compared the recoverable amount calculated within the value in use models to the carrying value recorded at 30 June 2019.
- Considered the relationship between market capitalisation and net assets of the Group.
- Considered multiple sensitivities over the forecasts and key estimates for the higher risk CGU, including possible changes in growth rates, discount rates and budget accuracy.
- Considered the adequacy of the related financial report disclosures.

Carrying value of ferries

Why significant

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.

How our audit addressed the key audit matter

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, 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.

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 2019 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 the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of SeaLink Travel Group Limited for the year ended 30 June 2019, 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

Ernst & Young



David Sanders
Partner
Adelaide
27 August 2019

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

As lead auditor for the audit of the financial report of SeaLink Travel Group Limited for the financial year ended 30 June 2019, 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

Ernst & Young



David Sanders
Partner
27 August 2019