

SEALINK TRAVEL GROUP LTD
FINANCIAL REPORT AND APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2016

Page No.

Results for announcement to the market	2
Full-year financial report	
Directors' Report including Remuneration report	3-18
Directors' Declaration	19
Consolidated Statement of Profit and Loss and Other Comprehensive Income	20-21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to the Financial Statements	25 - 50
Auditors' Report and Auditor's Independence Declaration	51-52

SEALINK TRAVEL GROUP LTD
ASX APPENDIX 4E (rule 4.3A)
FOR THE YEAR ENDED 30 JUNE 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	June 2016 \$m	June 2015 \$m	Change \$m	Change %
Revenue from ordinary activities	176.7	111.3	65.4	59%
Net Profit Before Tax	32.0	13.4	18.6	139%
Profit after tax from ordinary activities	22.3	9.3	13.0	140%

Note - 2016 includes acquisition costs of \$1.0m before tax.
- 2015 includes due diligence costs of \$0.3m before tax.

DIVIDEND INFORMATION

	Amount per Share (Cents)	Franked Amount per Share (Cents)	Tax rate for franking credit
30 June 2015			
Interim Dividend	3.8	3.8	30%
Final Dividend	4.0	4.0	30%
30 June 2016			
Interim Dividend	4.5	4.5	30%
Final Dividend	7.5	7.5	30%

Final Dividend Dates	
Ex-dividend date	22 September 2016
Record Date	23 September 2016
Payment date	14 October 2016

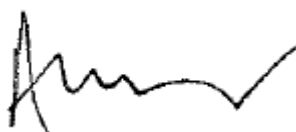
Net tangible assets

	June 2016	June 2015
Net tangible assets per ordinary share	\$0.89	\$0.69

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
10 August 2016

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

The Board of Directors of SeaLink Travel Group Ltd ("SeaLink") has pleasure in submitting its report for the year ended 30 June, 2016.

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 McEvoy (MA (Comms), BA Arts) – Chairman

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

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

Mr McEvoy has extensive experience in the tourism sector, having held management positions with both Tourism Australia and the South Australian Tourist Commission. He is currently Managing Director, Life Media & Events at Fairfax Media, where he oversees the company's new business portfolio, including events and content marketing, a role he has held since January 2014. Mr McEvoy is also Chairman of the Adelaide Riverbank Authority and has been awarded Life Membership of TTF Australia (Tourism and Transport Forum).

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

Jeffrey R. Ellison (BA (Acc), FCA, FAICD)

Managing Director and Chief Executive Officer

Mr Ellison holds a Bachelor of Arts Degree in Accounting from the University of South Australia, is a Fellow of the Chartered Accountants Australia and New Zealand and the Institute of Company Directors. He has held the position of Chief Executive Officer since 1997 and appointed Managing Director in 2008. Mr Ellison is a member on the Tourism Australia International Industry Advisory Panel and a Director of Solstice Media Ltd. Mr Ellison has been awarded Life Membership of TTF Australia (Tourism and Transport Forum).

Christopher D. Smerdon (MAICD) - Non-Executive Director

Mr Smerdon has extensive experience in the Information Technology field. He founded Protech Australasia Pty Ltd in 1984 and was Managing Director until he sold his interests in 1995. Other Directorships currently held by Mr Smerdon are with Tourism & Allied Holdings Pty Ltd. and Aquaport Corporation. He is a former member of the South Australian Government Motorsport Board

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

William T. (Bill) Spurr AO (B.App,Science, B.Ec., Dip T, FAICD) - Non-Executive Director

Mr Spurr's extensive experience in the tourism and hospitality industries dates back to the early 1980's when he was the Executive Director of the Australian Hotels Association. Mr Spurr held the position as Chief Executive of the South Australian Tourism Commission from 1999 until July, 2007.

Mr Spurr is currently Chair of Education Adelaide and Adelaide Venue Management Corporation and is an adjunct Professor of Tourism at Flinders University.

Mr Spurr joined the Board of SeaLink in 2007, is Chairperson of the both the Company's Audit and Risk Committee and the Remuneration and Nomination Committee.

Terry J. Dodd - Non-Executive Director

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

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

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

Andrea Staines (MBA Finance, BA Economics) - Non-Executive Director – Appointed 15 February, 2016

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

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

Ms Staines is a member of the Company's Remuneration and Nomination Committee and a member of the Company's Audit and Risk Committee.

Retiring Directors at the 27 October, 2015 AGM-

Lucinda (Lucy) Hughes Turnbull AO (LLB (USyd), MBA (UNSW)) - Non-Executive Director

Ms Hughes Turnbull is a Director at Turnbull and Partners and Chairperson of ASX listed biotechnology company Prima Biomed Limited, since 2010. With deep roots in Sydney's business, civic life and Chair of the Committee for Sydney, Ms Hughes Turnbull was Deputy Chair of the COAG Reform Council's Cities Expert Panel advising on its Metropolitan Strategic Planning Report and was the first female Lord Mayor of the City of Sydney from 2003-4. Ms Hughes Turnbull chaired ASX listed WebCentral Ltd from 2004-06 when it was acquired by ASX listed Melbourne IT Limited. She was a Director of Melbourne IT from 2006-10.

Ms Hughes Turnbull was former Chairperson of the Remuneration and Nomination Committee.

Frederick A. Mann (FCA, MAICD) - Non-Executive Director

Mr Mann is a Chartered Accountant with over 30 years' experience in the Australian business community. After selling his accounting practice to a national firm he spent three decades in commercial projects, including investment, real estate, sports and leisure centres, management and tax consulting, and travel and tourism.

Mr Mann is a fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors. Mr Mann served on the Board of SeaLink since 1996 and was a member of the Company's Audit and Risk Committee.

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	-	-
CD Smerdon	6,104,500	-
JR Ellison	5,524,769	-
TJ Dodd	5,212,000	-
WT Spurr	81,000	-
A Staines	-	-

Joint Company Secretaries

Trevor Waller (B.A (Acc), Dip Corp Management)

Mr Waller is the CFO and Company Secretary of the SeaLink Travel Group, a position he has held since June 2006. He is a former Chartered Accountant and Chartered Secretary who joined SeaLink following a wide range of commercial experience including 17 years in banking and 8 years in private practice. Mr Waller holds a Diploma in Corporate Management and a Bachelor Degree in Arts.

Paul Blewett (LLB) – Appointed 9 March 2016

Prior to joining SeaLink as General Counsel, Mr Blewett was Regional General Counsel and Company Secretary for Boart Longyear Limited (ASX:BLY). Mr Blewett has also held a number of similar positions with other ASX listed companies, following private legal practice for eight years with Lynch Meyer in South Australia.

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

Director's Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the last financial year and attended by each Director were as follows:

	<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:	10	3	2
A McEvoy (Chairperson)	10	-	2
CD Smerdon	10	2	-
JR Ellison	10	3 **	2 **
TJ Dodd	10	-	-
WT Spurr	10	3	2
A Staines	4	-	2
FA Mann (Former Director)	3	1	-
LMF Hughes Turnbull (Former Director)	2	-	2

All current Directors were eligible to attend all meetings held, except for Ms Andrea Staines who was eligible to attend 5 Director's meetings.

** Mr Ellison attended the Board sub-committees by invitation only.

Committee Membership

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

<i>Audit and Risk</i>	<i>Remuneration and Nomination</i>
WT Spurr (C)	WT Spurr (C)
A Staines	A Staines
CD Smerdon	A McEvoy

(C) Chairperson

Principal Activities

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

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

Review of operations and results

Result Overview

In a period of further expansion, SeaLink continued its solid sales growth and performance achieving a record profit before tax for the 2016 financial year. The result was bolstered by the acquisition of Transit Systems Marine business in November 2015.

The company recorded a net profit before tax (PBT) of \$32.0m compared to \$13.4m for the previous year. Included in the 2015/16 full year result were acquisition related expenses of \$1.0m comprising professional fees, success fees and stamp duty. Adjusting for these expenses, the PBT for the year was up 140% over the previous year. Excluding acquisition expenses or profit on sale, this was a record for the Company.

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

Review of operations and results (cont)

Net Profit after Tax (NPAT) was \$22.3m compared to an NPAT of \$9.3m for the June 2015 year. From a comparative perspective, the June 2016 year included the after-tax effect of acquisition related expenses of \$0.7m whilst the June 2015 year included due diligence costs on acquisitions of \$0.2m (after-tax basis).

The newly acquired marine business of Sealink Gladstone/South East Queensland had a positive effect on profit for the year with the business unit recording a segment profit before interest and tax of \$17.6m for the 8 month period since acquisition and after taking into account once off acquisition costs of \$0.9m. Revenue from this business was \$58.4m for the period since acquisition.

Contribution from Captain Cook Cruises WA was a loss of \$0.4m for the 2 months since acquisition. This was expected given the non-peak season trading.

Growth in PBT reflected a higher contribution from SeaLink's South Australian operations which saw a combination of higher sales reflecting increased coach tour and ferry passengers, increased vehicle traffic and fuel savings. Captain Cook Cruises NSW also increased its profit contribution compared to 2015 due to higher turnover and improved margins.

Lower fuel costs due to lower world oil prices had a positive effect on the result. Fuel costs were \$1.3m lower on a year on year basis excluding new acquisitions.

In a very competitive environment, Group revenue excluding acquisitions increased by 5.4% on the back of growth in its core businesses of Captain Cook Cruises and Kangaroo Island SeaLink. In Sydney Harbour, revenue for Captain Cook Cruises increased by 10.8% as a result of higher dining sales, new ferry route services into Watsons Bay and White Bay in Sydney Harbour.

Turnover from SeaLink Queensland in Townsville increased marginally with higher revenue for its core Magnetic Island ferry service.

SeaLink took delivery of a mobile floating pontoon, "Beatrice Bush", which has been used since November 2015 to service cruise ship passengers at White Bay in Sydney. A tug and specially designed barge were acquired in early 2016 to meet contractual commitments for the delivery of mineral sands in Brisbane. With these acquisitions and the purchase of the marine business of Transit Systems and Captain Cook Cruises WA, the fleet under management now comprises 73 vessels including one vessel under construction.

SeaLink Directors today declared a fully franked final dividend of 7.5 cents per share.

At the October 2015 AGM, former directors Fred Mann and Lucy Hughes Turnbull did not seek re-appointment due to changed circumstances. SeaLink is pleased to report that Ms Andrea Staines commenced as a Director on 15 February, 2016. Ms. Staines has extensive experience in the transport sector, previously holding the position of CEO of Australian Airlines (a subsidiary of Qantas) which she co-launched in 2002. Ms. Staines currently sits on the Boards of Goodstart Early Learning and Uniting Care Queensland.

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

- Acquisition of the Transit Systems Marine business
- Acquisition of Captain Cook Cruises WA
- A net \$49.2m capital raise through both a share placement and a Share Purchase Plan;
- Increased funding facilities, up \$59.4m to support business expansion;
- Signing of contracts for long term ferry services in Gladstone;
- Signing of a contract for cartage of sand in Moreton Bay, Queensland along with the purchase of a tug and barge;
- Renewal of Moggill ferry contract;
- New ferry service in Sydney for the White Bay cruise terminal; and
- Appointment of Andrew McEvoy as a new Chairman and appointment of Andrea Staines to the Board.

The Company continues to focus on its strategy of growth through acquisition as well as maximising profit from existing businesses. During the year, \$1,040,000 was expended on acquisition related costs.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE YEAR ENDED 30 JUNE 2016

Review of Operations

Kangaroo Island SeaLink– including Murray Princess

The business unit had a very solid year where external revenue increased by 2.8% to \$65m as a result of increased traffic flow to Kangaroo Island and improved touring sales. Lower margin accommodation package sales held back growth as suppliers reduced stock available to sell. Travel Centre revenue again reduced reflecting lower Group sales. Both passenger and vehicle numbers increased by nearly 4% whilst freight was down 6% reflecting lower agricultural output.

Murray Princess sales continued their growth increasing by 5.4%. Contribution increased by \$0.3m as higher wages associated with a newly agreed Employee Enterprise Agreement partly offset increased margins. Refrigerated air conditioning was also installed to service cabins on the main deck.

Spend on vessel repairs and maintenance for the Kangaroo Island based vessels was \$0.4m higher due to an out of water slipping for the Spirit of Kangaroo Island. Lower fuel costs generated positive savings of \$0.4m due to the drop in world oil prices.

As a result of higher sales, improved contributions from tour products, Murray Princess and travel centres, the overall business segment contribution before interest increased by 20% to \$13m compared to the last year.

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

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

Captain Cook Cruises NSW (CCC)

The 2015-16 year continued the business growth in sales and product expansion. Despite higher contribution from the growing dining product, profit was held back with the softening of the charter market, lower sales on contracted ferry routes and start-up costs associated with the new Watsons Bay and White Bay ferry services.

Sales increased by \$3.6m or 10.7% over last year, with growth coming from dining cruise product where sales increased 17%. This continues to reflect increased demand from Asia, especially China where all sales from this source were up 26%. Charter sales were flat which reflects a tough competitive environment and lower demand. Sales increases also came from the Hop-on Hop-off ferry service which continues to increase its market penetration with the additional Manly leg proving to be popular.

Lack of access to the Opal card led to \$273,000 of lower revenue on ferry income for 2 services. We are optimistic the NSW Government's Opal Card will be open for use on ferries during the latter part of the 2016-17 financial year.

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

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

SeaLink Townsville and Northern Territory

There was no major change in the Townsville/Northern Territory based business during the year. With a lower \$0.1m expended on vessel repairs and maintenance and lower fuel cost compared to last year (\$0.4m), the SeaLink Townsville/Northern Territory business segment profit contribution before allocations increased by \$0.7m.

Turnover from the Townsville operations increased marginally with 2.4% higher revenue from its core Magnetic Island ferry service reflecting increased traffic. There are positive trends emerging that passenger numbers are steadily increasing as a result of further backpacker demand. There were no price increases during the period. Palm Island revenue was flat with a similar service level to last year.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE YEAR ENDED 30 JUNE 2016

Review of Operations (cont)

In Townsville, vessel maintenance costs were \$0.2m lower than last year as in 2015, substantial works were undertaken on the Reef Cat super structure.

The Darwin operations ("SNT") performed to expectations during the year. SNT's revenue increased by \$0.3m with the main influence coming from a new Tiwi Island packaged product. Net contribution from SNT operations has been positive and slightly ahead of plan for the year. Higher vessel repairs due to a planned gearbox replacement (up \$0.2m) held back growth.

During the year, SeaLink undertook a consultancy for the NT Government to determine the potential for further ferry routes around Darwin.

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

SeaLink Gladstone and South East Queensland

The business of Transit Systems Marine ("TSM") was acquired on 6 November, 2015 and has been performing to expectations. Net profit for the segment (before interest) was \$17.6m for the eight months to 30 June. The contribution included utilisation fees associated with a Gladstone contract, amortisation of customer contracts of \$0.9m and corporate allocations including once off acquisition costs of \$1.0m.

During the period between signing the contract to acquire the TSM business and settlement on 6 November, 2015, two operational contracts for Gladstone were signed. These contracts are now coming onstream in addition to the existing contracts to supply vessels for the construction phase of the LNG plants. Various vessels will be demobilised (coming off contract) over the next 12 months as the gas plant's construction and restoration work is completed. To date, 2 vessels have been demobilised. The Mandurama, was transferred to Sydney whilst the Capricornian Dancer was relocated to Melbourne on a wet lease basis.

In December 2015, the business secured a long term contract to provide a tug and barge service to cart "Mineral Sands" from North Stradbroke Island to Brisbane. Previously, this service utilised a sub-contractor. SeaLink purchased a tug, a custom designed barge and an excavator for the contract which commenced on 1 January 2016.

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

Captain Cook Cruises WA

The business was acquired on 29 April 2016 and has been performing to expectations. Net result for the segment (before interest) was loss of \$0.4m for the two months to 30 June 2016. Revenue for the six month period to June 2016 was 5% higher than the comparative period in the previous year reflecting the opening in January 2016 of the Elizabeth Quay Marina. The business is operating to plan.

Share Options

Unissued shares

As at 30 June 2016, there were 200,000 (2015: 781,250) options outstanding to acquire ordinary shares in the Company. There were no options issued to staff during the period. No options over issued 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, Directors and employees have exercised options to acquire 781,250 fully paid ordinary shares in SeaLink at an average weighted exercise price of \$1.40 per share.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE YEAR ENDED 30 JUNE 2016

Dividend

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

	Cents per Ordinary Share	Amount
Interim fully franked dividend for 2016 paid 15 April 2016.	4.5	\$4,550,521
Final fully franked dividend for the year ended 30 June 2015 and paid 15 October 2015.	4.0	\$3,072,597

SeaLink's directors today declared a 7.5 cents per share fully franked final dividend payable on 14 October 2016 to shareholders registered on 23 September 2016. This represents a 54% return of net profit after tax to shareholders, in line with STG's policy of returning 50-70% of after-tax profit, subject to business needs and ability to pay. The interim dividend for the half-year ended 31 December 2015 was 4.5 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

The business of Transit Systems Marine was acquired on 6th November, 2015 for a consideration of \$115 million net of adjustments. This acquisition was funded through –

- A capital placement of 16.9m shares at an issue price of \$2.50 per share;
- A Share Placement Plan which resulted in 4.33m shares being issued at \$2.50;
- Issuing 3.2m shares to the vendor at an issue price of \$2.50 per share (fair value at settlement was \$3.39 per share); and
- The balance through Bank debt of \$66.3M was drawn down at settlement.

On 29th April 2016, the Group acquired the business of Captain Cook Cruises WA for a consideration of \$11m net of adjustments. The acquisition involved the purchase of shares in two entities and was funded from existing debt facilities.

These acquisitions have further strengthened SeaLink's position as the leading provider of transport and tourism services in Australia.

Matters subsequent to the end of the financial year

A fully franked dividend of \$7,856,558 representing 7.5 cents per share based on the current number of ordinary shares was declared by the Directors on 10 August 2016 to be paid 14 October 2016.

The Company has contracted to construct two vessels for use in Sydney Harbour at a cost of \$1.7m.

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

Outlook

SeaLink remains positive about the future of the Company. Its key focus for 2016-17 will be in several areas-

- Increasing the extent of business sourced on-line which will have a positive effect on profitability.
- Sourcing long term commitments for vessels which will be demobilised from the Gladstone operations;
- Further development of the revenue management function to improve sales, especially filling spare capacity and maximising pricing opportunities;
- Developing new business opportunities in our current businesses;
- Continuing to focus on acquisitions to utilise SeaLink's strong balance sheet and borrowing capacity; and
- Seeking new routes, especially in Sydney Harbour and in Darwin.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE YEAR ENDED 30 JUNE 2016

Assuming average seasonal and current business conditions remain over the next year, and taking into account the winding back of the ferry and barge requirements for the construction phase for the Gladstone operation, the business is well positioned to report an improved profit for the 2016-17 financial year.

Other

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 47.

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	\$51,500
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Indemnification of Officers and Directors

During the financial year, the Company renewed a contract insuring the directors of the Company (as named above), and all executive officers of the Company and of any related body corporate against a liability incurred in their capacity as directors, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability cover and the amount of the premium.

The Company is party to Deeds of Indemnity in favour of each of the Directors, referred to in this report who held office during the year and certain officeholders of the consolidated entity. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. SeaLink is not aware of any liability having arisen, and no claims have been made, during or since the financial year ending 30 June 2016 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 LTD AND ITS CONTROLLED ENTITIES
2016 REMUNERATION REPORT

This remuneration report, which forms part of the Director's Report, sets out the remuneration arrangements of the Group for Directors and its Senior Management for the financial year ended 30 June 2016. It also details remuneration policies and results and outlines the links between remuneration and results, both financial and non-financial.

The term 'Key Management Personnel' ("KMP") refers to those having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Group. The term "Executive" includes the Chief Executive Officer (CEO) and other Senior Executives of the Parent and the Group.

This information has been audited as required by section 308 (3C) of the Act.

Details for each person covered by this report are set out under the following headings:

1. Key Management Personnel;
2. Remuneration philosophy;
3. Remuneration of KMP;
4. Executive contracts;
5. Option and shareholding of KMP; and
6. Remuneration governance.

1. Key Management Personnel ("KMP")

The Directors and other KMP of the Group during or since the end of the financial year were:

Non-executive Directors (NED)

A McEvoy	Chairperson – Appointed Chairman 1 July 2015
W Spurr	Director (non-executive)
T Dodd	Director (non-executive)
C Smerdon	Director (non-executive)
A Staines	Director (non-executive) – Appointed 15 February, 2016
L Hughes Turnbull	Director (non-executive) – Retired 27 October 2015
F Mann	Director (non-executive) – Retired 27 October 2015

Executive Directors

J Ellison	CEO and Managing Director
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Other executive KMP

T Waller	Chief Financial Officer and Company Secretary
D Gauci	General Manager – SeaLink South Australia
A Haworth	General Manager – Captain Cook Cruises
P Victory	General Manager – SeaLink Queensland / Northern Territory

There were no changes to KMP after the reporting date and before the financial report was authorised for issue.

2. Remuneration Philosophy

The performance of SeaLink depends upon the quality of its Directors and Executives. To succeed, the Company must attract, motivate and retain highly skilled KMP. To achieve this goal, remuneration policy seeks to ensure that:

- Remuneration levels are set to attract and retain good performers and motivate and reward them to continually improve business performance;
- Remuneration is competitive with incentives for continued employment and for increasing shareholder value;
- Rewards are linked to the achievement of business targets; and
- A remuneration structure supports SeaLink's values and culture.

However, the Company, as it expands, recognises the importance of retaining key personnel and the Nomination and Remuneration Committee is considering implementing long term incentives for the 2016-17 year and foreseeable future.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
2016 REMUNERATION REPORT (cont)

Link between remuneration policy and company performance

Performance of SeaLink, especially in relation to overall earnings of the Group compared to its budgets and prior years, is a material factor in the determination of the nature and amount of the remuneration of KMP. However, whilst the Board does have regard for, and is extremely cognisant of the need to drive shareholder wealth and value through improved year on year performance and payment of dividends, there are many varied factors that can affect (positively or negatively):

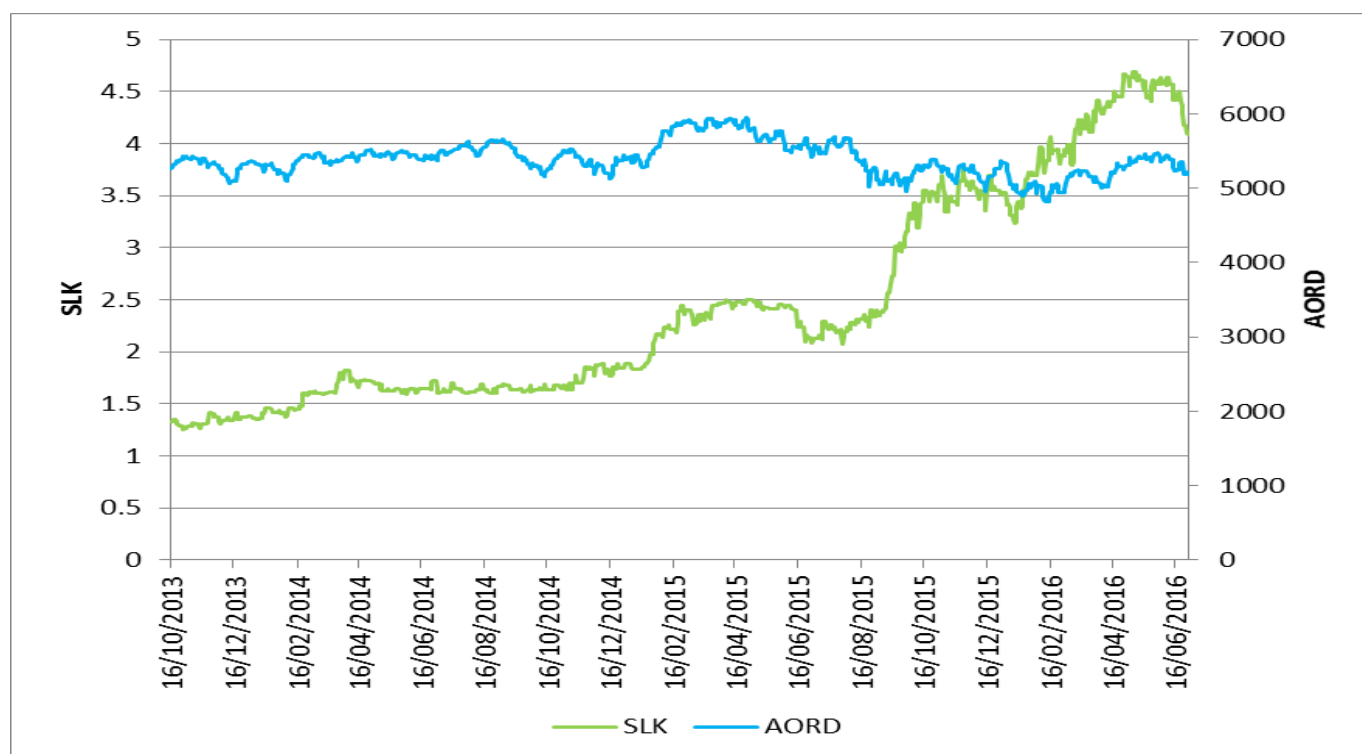
- SeaLink's ASX share price; and
- The ability to pay dividends or make returns of capital.

As such, financial results, combined with individual performance, are the key factors in determining overall remuneration of KMP in any financial year.

The table below shows the performance of the Company as measured by the NPAT (net profit after tax) from continuing operations and dividends paid.

	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	79,684	91,978	104,422	111,748	177,459
NPAT	3,834	7,023	7,233	9,349	22,349
Dividends paid	7,782	4,026	5,499	5,761	7,624

The next table highlights the performance of the share price since Sealink was listed:



Prior to listing in October 2013, the share price was determined through an off-market transaction on the basis of willing buyer and seller run by an independent share registry.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
2016 REMUNERATION REPORT (cont)

3. Remuneration of KMP

Directors

Remuneration Policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The aggregate remuneration amount sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to Non-Executive Directors ("NED"s) of similar sized listed companies from a market capitalisation perspective.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by general meeting. The latest determination was on 18 August 2008 when shareholders approved the Constitution which contained the aggregate fee pool of \$580,000 per annum. The Board will seek an increase to \$750,000 for the NED pool at the 2016 AGM to allow flexibility in the appointment of an additional Director.

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

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

These fees include increases of 2.5% on 1 July 2015 and a further 3.6% in February, 2016. There are no increases for the 2016-17 financial year.

There are no further additional fees for serving on a sub-committee of the Board. NED's do not receive retirement benefits, nor do they participate in any incentive programs. The Board, however, is currently considering implementation of a Long Term Incentive plan for NED's which will be presented at the 2016 Annual General Meeting for approval.

Remuneration Outcome

The remuneration of NEDs for the years ended 30 June 2015 and 30 June 2016 is detailed in the tables below:

FY 2016	Director Fees	Short term incentive	Non-Monetary benefits	Other short term	Super	Long Term Benefit LSL	Performance Rights	Total
A McEvoy	131,272	-	-	-	12,462	-	-	143,735
A Staines	25,124	-	-	-	2,386	-	-	27,511
C Smerdon	66,616	-	-	-	5,720	-	-	72,336
W Spurr	66,104	-	-	-	6,231	-	-	72,336
T Dodd	66,104	-	-	-	6,231	-	-	72,336
F Mann	23,575	-	-	-	-	-	-	23,575
L Hughes								
Turnbull	22,041	-	-	-	2,045	-	-	24,086

FY 2015	Director Fees	Short term incentive	Non-Monetary benefits	Other short term	Super	Long Term Benefit LSL	Performance Rights	Total
A McEvoy	28,750	-	-	-	-	-	-	28,750
C Smerdon	69,000	-	-	-	-	-	-	69,000
W Spurr	69,000	-	-	-	-	-	-	69,000
T Dodd	69,000	-	-	-	-	-	-	69,000
F Mann	69,000	-	-	-	-	-	-	69,000
L Hughes								
Turnbull	69,000	-	-	-	-	-	-	69,000
G Ursini	139,000	-	-	-	-	-	-	139,000

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
2016 REMUNERATION REPORT (cont)

Executives

Remuneration Policy

The Group rewards executives with a level and mix of remuneration commensurate with their position and responsibilities so as to:

- Reward executives for company, business unit and individual performance against targets set by reference to agreed benchmarks;
- Align the interests of executives with those of shareholders and of other Company business units;
- Link reward to annual and longer term strategic business goals; and
- Ensure remuneration is competitive to market.

The Company does not provide discretionary bonuses unless there are exceptional circumstances.

The Company does not subscribe, at senior level, to the philosophy of excessive 'at risk components' at a cash salary level but seeks to reward employees with a market competitive base rate. It considers that employment should be 'at risk' if performance does not deliver results or is at an unacceptable level.

Remuneration comprises of several key elements:

- Fixed remuneration;
- Annual performance incentives; and
- Where a specific business need arises, retention incentives are offered through options, performance rights or retention bonuses.

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

Remuneration Outcome

Remuneration of KMP is prepared on an accruals basis for bonuses except where noted and were as follows:

FY 2016	Salary	Short term incentive	Non-Monetary benefits	Other short term	Super	Long Term Benefit LSL	Performance Rights	Total
J Ellison	469,702	234,000	1,025	5,797	21,920	61,609	-	794,053
D Gauci	217,241	43,385	5,000	-	20,638	7,016	2,575	295,856
T Waller	247,711	137,250	-	-	32,172	23,151	-	440,284
A Haworth	267,085	34,769	5,517	-	25,373	7,936	2,575	343,255
P Victory	174,628	23,652	7,245	-	26,352	5,362	2,575	239,814

FY 2015	Salary	Short term incentive	Non-Monetary benefits	Other short term	Super	Long Term Benefit LSL	Performance Rights	Total
J Ellison	414,861	104,625	2,915	5,453	31,275	6,046	-	565,175
D Gauci	211,032	38,007	6,328	-	20,048	5,976	-	281,391
T Waller	194,402	32,600	-	-	34,289	5,989	-	267,280
A Haworth	239,769	30,931	11,186	-	25,628	871	-	308,385
P Victory	177,897	31,950	7,358	-	26,900	6,500	-	250,605

The proportion of remuneration that is performance based is as follows –

	2016	2015
J Ellison	29%	19%
D Gauci	16%	14%
T Waller	31%	12%
A Haworth	8%	10%
P Victory	9%	13%

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
2016 REMUNERATION REPORT (cont)

The remuneration amounts disclosed above have been calculated based on the expense to the Company for the year. Therefore, such items such as performance rights, annual leave taken and long service leave taken and accrued for, have been included in the calculations. As a result, the remuneration disclosed may not equal the salary package as agreed with the executive in any one year.

Short term incentives

For KMP, bonuses vary 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 whether the Company achieved the Board approved budget for the year. The table below outlines the bonuses payable to KMP for the reporting period. 100% of the achievement bonus will vest with the employee.

	Cash Bonus at risk (maximum)	Achievement of goals	Discretionary Performance	Total bonus
J Ellison	\$260,000	Profit and share price targets met. 90% of KPI's met.	-	\$234,000
D Gauci	\$44,497	Group and Business Unit Budget targets met. 90% of KPI's met	-	\$43,385
T Waller	\$150,000	Group stretch profit target met and 83% of KPI's met	-	\$137,250
A Haworth	\$48,676	Group Budget EBIT target met. Business Unit Budget EBIT target not met. 93% of KPI's met	-	\$34,769
P Victory	\$36,388	Group Budget EBIT target met. Business Unit Budget EBIT target not met. 80% of KPI's met	-	\$23,652

4. Executive Contracts

CEO

The Company and Mr Jeffrey Ellison entered into a Managing Director Service Agreement which commenced on 16 October 2013 being the listing date on the ASX. The Agreement expires five years from that date. The agreement also allows the Company to extend the term of the employment.

Under the Managing Director's Service Agreement, Mr Ellison receives a total fixed gross remuneration package of \$520,000 per annum (including wages, superannuation and motor vehicle) 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 maximum performance bonus for the reporting period of up to 50% of annual salary. Criteria for achievement, of which a bonus attaches to each component, are-

- The Company exceeding budgeted net profit after tax;
- Growth of 10% in share price based on the movement between the average share price in July 2015 and June 2016; and
- Reaching specifically defined Key Performance Indicators.

Mr Ellison is employed under an ongoing contract which can be terminated with notice by either side. Mr Ellison may terminate the Managing Director Service Agreement and his employment with the Company at any time by giving the Company 90 days written notice. The Company may also terminate the Managing Director Service Agreement and Mr Ellison's employment with the Company without cause at any time after the expiration of the Initial Term by giving Mr Ellison 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 termination of Mr Ellison's employment, he will be subject to a restraint of trade for a period of six months.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
2016 REMUNERATION REPORT (cont)

Other KMP

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

	Notice Period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Resignation	4 weeks	4 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	4 weeks	Subject to Remuneration and Nomination Committee discretion. If not exercised, unvested awards forfeited	Subject to Board discretion. If not exercised, unvested awards forfeited

In addition to the above terms and conditions, Ms D Gauci is entitled to receive a travel allowance of up to \$10,000 per annum for family travel.

Option Holdings of Key Management Personnel

Year end 30 June 2016	Balance 1/7/15	Sold/ Forfeited	Exercised	Balance 30/6/16	Intrinsic Value of Options Exercised/Sold
<i>Directors</i>					
Mr J Ellison	750,000	-	(750,000)	-	\$2,100,000
<i>Key Management Personnel</i>					
Mr A Haworth	31,250	-	(31,250)	-	\$86,875
Total	781,250	-	(781,250)	-	

Year end 30 June 2015	Balance 1/7/14	Sold/ Forfeited	Exercised	Balance 30/6/15	Intrinsic Value of Options Exercised
<i>Directors</i>					
Mr G Ursini	500,000	-	(500,000)	-	\$325,000
Mr F Mann	375,000	(77)	(374,923)	-	\$243,700
Mr C Smerdon	375,000	-	(375,000)	-	\$211,875
Mr J Ellison	1,435,000	-	(685,000)	750,000	\$317,900
<i>Key Management Personnel</i>					
Ms D Gauci	65,000	(65,000)	-	-	\$86,875
Mr T Waller	250,000	(100,000)	(150,000)	-	\$145,000
Mr A Haworth	31,250	-	-	31,250	-
Total	3,031,250	(165,077)	(2,084,923)	781,250	

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

There were no share options issued to KMP during the year.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
2016 REMUNERATION REPORT (cont)

5. Options and Shareholdings of KMP

Shareholdings of Key Management Personnel

Year end 30 June 2016	Balance 1/7/15	Exercise of options	Acquired / (Sold)	Balance 30/6/16	Amount Paid per share on Option exercise
<i>Directors</i>					
Mr C Smerdon	6,350,000	-	(245,500)	6,104,500	
Mr W Spurr	150,000	-	(69,000)	81,000	
Mr T Dodd	5,400,000	-	(188,000)	5,212,000	
Mr J Ellison	5,512,769	750,000	(738,000)	5,524,769	\$1.40
<i>Key Management Personnel</i>					
Ms D Gauci	5,000	-	5,000	10,000	
Mr T Waller	150,000	-	(10,000)	140,000	
Mr P Victory	62,835	-	20,525	83,360	
Mr A Haworth	14,400	31,250	6,000	51,650	\$1.30
Total	17,645,004	781,250	(1,218,975)	17,207,279	

Year end 30 June 2015	Balance 1/7/14	Exercise of options	Acquired / (Sold)	Balance 30/6/15	Amount Paid per share on Option exercise
<i>Directors</i>					
Mr G Ursini	5,000,000	500,000	(500,000)	5,000,000	\$1.20
Mr F Mann	3,173,077	374,923	-	3,548,000	\$1.20
Mr C Smerdon	6,250,000	375,000	(275,000)	6,350,000	\$1.20
Mr W Spurr	150,000	-	-	150,000	-
Mr T Dodd	5,400,000	-	-	5,400,000	-
Mr J Ellison	5,207,769	685,000	(380,000)	5,512,769	\$1.31
<i>Key Management Personnel</i>					
Ms D Gauci	5,000	-	-	5,000	-
Mr T Waller	10,000	150,000	(10,000)	150,000	\$1.20
Mr P Victory	51,000	-	11,835	62,835	-
Mr A Haworth	14,400	-	-	14,400	-
Total	25,261,246	2,084,923	(1,153,165)	26,193,004	

All equity transactions with KMP have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Performance Rights of Key Management Personnel

Performance rights are generally granted to senior executives with more than 12 month's service. The ESOP is designed to align participant's 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 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 rate applied to the share market price at date of issue.

The following Performance Rights were issued during the year to Key Management Personnel –

Key Management Personnel	Number	Hurdle Price	Issue Date	Vesting Period
Ms D Gauci	15,000	\$3.20	1 September 2015	3 years
Mr P Victory	15,000	\$3.20	1 September 2015	3 years
Mr A Haworth	15,000	\$3.20	1 September 2015	3 years

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
2016 REMUNERATION REPORT (cont)

The share price was chosen as an appropriate hurdle as it creates a strong link with the creation of long term shareholder value and to encourage the achievement of growth in the Company's business.

6. Remuneration Governance

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three independent NEDs. This committee has delegated authority for 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 CEO made under any long term incentives, following recommendations from the Remuneration and Nomination Committee. The Board also sets the aggregate remuneration of all NEDs, which is then subject to shareholder approval. The Remuneration and Nomination Committee approves, having regard to the recommendations made by the CEO, the level of the short-term annual performance incentives for KMP or any discretionary bonuses.

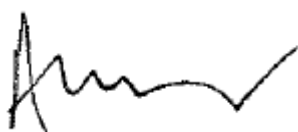
The Remuneration and Nomination Committee meets regularly throughout the year. The CEO attends certain Remuneration and Nomination Committee meetings by invitation, where management input is required. However, the CEO is not present during discussions related to his own remuneration arrangements.

Remuneration Consultants

To ensure the Remuneration and Nomination Committee is fully informed when making remuneration decisions, it seeks external remuneration advice where required. Remuneration consultants are engaged by, and report directly to, the Committee. In selecting remuneration consultants, the Committee considers potential conflicts of interest and requires independence from the Group's key management personnel and other executives as part of their terms of engagement.

During the year, Ashby Magro were paid \$2,333 for their Remuneration and Consulting services which also included providing advice on additional Board members. No Remuneration Consultants were utilised during the 2014-15 financial year.

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



A J McEvoy
CHAIRMAN

Date: 10 August 2016

SEALINK TRAVEL GROUP LTD 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:

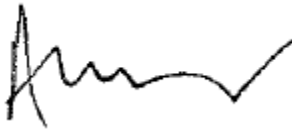
(i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(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 2016.

On behalf of the Board



Sealink Travel Group Ltd
Andrew McEvoy
Chair
10 August, 2016

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
Continuing Operations			
Revenue	1A (a)	176,723	111,282
Interest income		203	86
Other income	1A (b)	533	380
Total income		<u>177,459</u>	<u>111,748</u>
Direct Operating Expenses-			
Direct wages		47,157	25,848
Repairs and maintenance		8,845	5,042
Fuel		5,927	4,353
Commission		6,647	6,022
Meals and beverage		7,693	6,411
Accommodation		4,332	4,231
Tour Costs		10,465	10,711
Other direct expenses		17,778	10,921
Administration Expenses-			
Indirect wages		19,497	14,993
General and administration		10,596	6,132
Marketing and selling		2,076	2,192
Financing charges	1B (a)	2,470	1,164
Amortisation of customer contracts		965	-
Business acquisition expenses	1B (g)	1,040	332
Total Expenses		<u>145,487</u>	<u>98,352</u>
Profit before tax from continuing operations		31,972	13,396
Income tax expense	1C	9,623	4,047
Profit for the year from continuing operations		<u>22,349</u>	<u>9,349</u>
Attributable to equity holders of the parent		<u>22,349</u>	<u>9,349</u>
Earnings per share-			
Basic, profit for the year attributable to ordinary equity holders of the parent	\$	0.236	\$ 0.123
Diluted, profit for the year attributable to ordinary equity holders of the parent	\$	0.234	\$ 0.120

Notes to and forming part of the financial statements are included on Pages 25 to 50.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME ("OCI")
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
Profit for the year		22,349	9,349
Other comprehensive income -			
Net (loss)/gain on cash flow hedge (interest rate swap)	21 (iii)	(1,070)	-
Deferred tax		<u>321</u>	<u>-</u>
Net other comprehensive loss to be reclassified to profit and loss in subsequent financial periods		(749)	-
Total comprehensive income for the year, net of tax		<u><u>21,600</u></u>	<u><u>9,349</u></u>
Attributable to equity holders of the parent		<u><u>21,600</u></u>	<u><u>9,349</u></u>

Notes to and forming part of the financial statements are included on Pages 25 to 50.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
CURRENT ASSETS			
Cash and cash equivalents	2A	5,208	2,261
Trade and other receivables	2B	14,951	3,227
Inventories	2C	3,154	1,302
Prepayments		1,810	1,244
TOTAL CURRENT ASSETS		25,123	8,034
NON-CURRENT ASSETS			
Property, plant and equipment	2D	175,037	72,631
Intangible assets	2E	47,748	6,629
Deferred tax assets	2J	4,693	2,721
TOTAL NON-CURRENT ASSETS		227,478	81,981
TOTAL ASSETS		252,601	90,015
CURRENT LIABILITIES			
Trade and other payables	2F	9,759	5,238
Unearned revenue	2H	5,000	3,814
Operating lease liability	2K	1,279	-
Interest bearing loans and borrowings	2I	2,864	3,293
Current tax liabilities		14,264	1,578
Other financial liabilities	2L	230	-
Provisions	2G	8,525	4,453
TOTAL CURRENT LIABILITIES		41,921	18,376
NON-CURRENT LIABILITIES			
Unearned revenue	2H	1,149	1,321
Interest bearing loans and borrowings	2I	65,233	7,027
Deferred tax liabilities	2J	5,514	1,015
Other financial liabilities	2L	840	-
Provisions	2G	989	982
TOTAL NON-CURRENT LIABILITIES		73,725	10,345
TOTAL LIABILITIES		115,646	28,721
NET ASSETS		136,955	61,294
EQUITY			
Contributed equity	3B	95,557	33,904
Reserves	3C	(230)	487
Retained earnings		41,628	26,903
TOTAL EQUITY		136,955	61,294

Notes to and forming part of the financial statements are included on Pages 25 to 50.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

<u>Consolidated</u>	Note	CASH FLOW HEDGE RESERVE \$'000	CONTRIBUTED EQUITY \$'000	RETAINED EARNINGS \$'000	SHARE OPTION RESERVE \$'000	TOTAL \$'000
Balance at 1st July, 2014		-	30,164	23,315	464	53,943
Profit for the period		-	-	9,349	-	9,349
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	9,349	-	9,349
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	3D	-	-	(5,761)	-	(5,761)
Issue of share capital	3B	-	3,740	-	-	3,740
Issue of share options		-	-	-	23	23
Balance at 30th June, 2015		-	33,904	26,903	487	61,294
Balance at 1st July, 2015		-	33,904	26,903	487	61,294
Profit for the period		-	-	22,349	-	22,349
Other comprehensive income	3C	(749)	-	-	-	(749)
Total comprehensive income for the period		(749)	-	22,349	-	21,600
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	3D	-	-	(7,624)	-	(7,624)
Issue of share capital	3B	-	61,653	-	-	61,653
Issue of share options		-	-	-	32	32
Balance at 30th June, 2016		(749)	95,557	41,628	519	136,955

Notes to and forming part of the financial statements are included on Pages 25 to 50.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers		176,178	111,330
Payments to suppliers and employees		(128,771)	(90,458)
Net GST paid		(4,856)	(3,525)
Interest received		203	86
Interest paid		(2,502)	(1,164)
Income tax (paid) / received		<u>(8,158)</u>	<u>(4,080)</u>
<i>Net operating cash flows</i>	2A	<u>32,094</u>	<u>12,189</u>
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		<u>26</u>	<u>2,373</u>
		<u>26</u>	<u>2,373</u>
Cash was disbursed to:			
Payments for property, plant and equipment		(6,855)	(11,499)
Acquisition of new businesses (net of cash acquired)	7A	<u>(115,273)</u>	<u>-</u>
		<u>(122,128)</u>	<u>(11,499)</u>
<i>Net investing cash flows</i>		<u>(122,102)</u>	<u>(9,126)</u>
Cash flows from financing activities			
Proceeds from issue of shares	3B	50,299	3,733
Proceeds from borrowings		57,500	-
Repayment of borrowings		(7,220)	(3,222)
Dividend paid	3D	<u>(7,624)</u>	<u>(5,761)</u>
<i>Net financing cash flows</i>		<u>92,955</u>	<u>(5,250)</u>
Net increase / (decrease) in cash held		2,947	(2,187)
Cash and cash equivalents at 1 July		<u>2,261</u>	<u>4,448</u>
Cash and cash equivalents at 30 June	2A	<u><u>5,208</u></u>	<u><u>2,261</u></u>

Notes to and forming part of the financial statements are included on Pages 25 to 50.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

INDEX

SECTION 1: KEY NUMBERS - STATEMENT OF COMPREHENSIVE INCOME

1A	Income
1B	Expenses
1C	Tax Expense
1D	Operating Segment Reporting

SECTION 2: KEY NUMBERS - STATEMENT OF FINANCIAL POSITION

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

SECTION 3: CAPITAL

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

SECTION 4: RISK

4A	Financial risk management objectives and policies
4B	Hedging

SECTION 5: ACCOUNTING POLICIES

5A	Basis of preparation
5B	Summary of other significant accounting policies
5C	Changes in accounting policies and disclosures
5D	Standards issued but not yet affective
5E	Fair value measurement

SECTION 6: UNRECOGNISED ITEMS

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

SECTION 7: OTHER

7A	Business Combinations
7B	Corporate information
7C	Parent Disclosure
7D	Share Option Plans
7E	Related Party Transactions
7F	Related Bodies Corporate

ASX Additional information

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 1: KEY NUMBERS - STATEMENT OF COMPREHENSIVE INCOME

1A INCOME	2016 \$'000	2015 \$'000
Revenues from continuing operations -		
(a) Revenue		
Sales revenue	176,248	110,869
Rental income	475	413
	<u>176,723</u>	<u>111,282</u>
(b) Other Income		
Profit on the sale of fixed assets	5	155
Fuel derivative (loss) / income	-	(200)
Expired bookings and cancellation fees	315	325
Other	213	100
	<u>533</u>	<u>380</u>
1B EXPENSES		
(a) Finance Costs		
Interest expense		
- Borrowings	1,773	552
- Leases	144	320
Finance charges	553	292
	<u>2,470</u>	<u>1,164</u>
(b) Depreciation/Amortisation		
Depreciation-		
- Property, plant and equipment	7,770	3,753
- Leased assets	68	91
Total depreciation	<u>7,838</u>	<u>3,844</u>
Amortisation of customer contracts	965	-
(c) Employee Benefits expense		
Wages and salaries	53,769	31,807
Share based expense	32	23
Other employee benefits/ entitlements	2,175	1,440
Superannuation	5,411	3,414
Workers Compensation costs	1,620	1,121
	<u>63,008</u>	<u>37,805</u>
(d) Lease payments in income statement		
Lease and rental expenses	<u>2,497</u>	<u>1,723</u>
(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	229	126
- Other services - Assurance and due diligence	51	160
	<u>280</u>	<u>286</u>
(f) Inventory expense		
Costs of inventories recognised as an expense	<u>13,734</u>	<u>10,863</u>
(g) Acquisition expense		
Costs involved in relation to business acquisitions (stamp duty, legal)	<u>1,040</u>	<u>332</u>
1C TAX EXPENSE		
The major components of income tax expense for the years ended 30 June 2016 and 2015 are:		
Consolidated statement of profit and loss		
Current tax	16,029	3,966
Deferred tax	(6,407)	80
Under (over) provision in respect of prior years plus adjustments	1	1
Income tax expense reported in the income statement	<u>9,623</u>	<u>4,047</u>
Consolidated statement of OCI		
Deferred tax related to items recognised and charged in OCI during the year:		
Net loss on revaluation of cash flow hedges	<u>321</u>	<u>-</u>
Tax expense reconciliation:		
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	9,592	4,019
Other (entertainment etc)	21	20
Non-deductible expenses (goodwill / share option cost)	9	7
Amounts under / (over) provided in prior years	1	1
Income tax expense reported in the income statement	<u>9,623</u>	<u>4,047</u>

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 1: KEY NUMBERS - STATEMENT OF COMPREHENSIVE INCOME (cont)

1D OPERATING SEGMENT REPORTING

For management purposes, the Group is organised into business units by reporting lines and has 6 main reporting segments -

- Kanagaroo Island Sealink ("KIS"), which offers ferry services, tours in SA, packaged holidays, retail travel services, accommodation facilities at Vivonne Bay and accommodated cruising on the PW Murray Princess;
- Captain Cook Cruises ("CCC") which runs tourist cruises, charter cruises, ferry passenger services on Sydney Harbour;
- Sealink Queensland ("SQ") which includes and manages the operations of Sealink Northern Territory. This unit provides ferry passenger services in Townsville and Darwin as well as offering packaged holidays;
- Captain Cook Cruises WA ("CCC WA") which includes tourist cruises and ferry operations in Perth;
- Sealink Gladstone and Sealink SEQ ("TSM") which includes ferry and barging operations in Gladstone and South East Queensland; and
- Corporate (Head Office), which provides finance, administration and risk management support.

The Board and Executive Committee monitors the operating results of each business unit separately for the purpose of making decisions about strategy, resource allocation, cost management and performance assessment. Segment performance is measured consistently with operating profit or loss in the consolidated financial statements. Group income taxes and funding are managed on a Group basis and are not allocated to the segments below. Transfer pricing between operating segments is on an arm's length basis in a manner similar to transactions with third parties.

Year ended 30 June 2016

	KIS	CCC	SQ	CCC WA	TSM	Corporate	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Internal revenue	3,550	-	980	-	-	2,089	(6,619)	-
External Revenue	65,114	36,793	15,874	1,169	58,419	(113)	-	177,256
Results								
Capital expenditure	1,550	2,084	286	55	2,880	-	-	6,855
Amortisation of customer contracts	-	-	-	26	939	-	-	965
Depreciation	2,076	1,774	532	65	3,385	6	-	7,838
Segment profit before interest and allocations -	15,644	2,641	2,767	(389)	19,754	(6,179)	-	34,238
Corporate allocations	(2,698)	(773)	(366)	(154)	(2,188)	6,179	-	-
Segment profit before interest and tax - continuing	12,946	1,868	2,401	(543)	17,566	-	-	34,238
Interest income								203
Interest cost and finance charges								(2,470)
Segment profit before tax - continuing operations								31,972

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

Year ended 30 June 2015

	KIS	CCC	SQ	CCC WA	TSM	Corporate	Eliminations	Consolidated
Internal revenue	2,657	-	970	-	-	3,101	(6,728)	-
External Revenue	63,321	33,197	15,257	-	-	(113)	-	111,662
Results								
Capital expenditure	8,027	2,966	506	-	-	-	-	11,499
Depreciation	1,790	1,464	568	-	-	22	-	3,844
Segment profit before interest and allocations - continuing operations	14,561	2,054	2,020	-	-	(4,161)	-	14,474
Corporate allocations	(3,263)	(788)	(110)	-	-	4,161	-	-
Segment profit before interest and tax - continuing	11,298	1,266	1,910	-	-	-	-	14,474
Interest income								86
Interest cost and finance charges								(1,164)
Segment profit before tax - continuing operations								13,396

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 1: KEY NUMBERS - STATEMENT OF COMPREHENSIVE INCOME (cont)

1D OPERATING SEGMENT REPORTING (cont)

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

	KIS	CCC	SQ	CCC WA	TSM	Corporate	Eliminations	Consolidated
At 30 June 2016	\$'000	\$'000	\$'000	\$'001	\$'000	\$'000	\$'000	\$'000
Operating assets	38,280	36,620	15,426	13,221	144,353	8	-	247,908
Operating liabilities	76,790	5,139	3,376	1,713	8,850	-	-	95,868
At 30 June 2015								
Operating assets	36,159	36,006	15,118	-	-	11	-	87,294
Operating liabilities	17,798	4,657	3,673	-	-	-	-	26,128

Reconciliation of assets and liabilities

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Segment operating assets	247,908	87,294
Deferred tax assets	4,693	2,721
Group total assets	<u>252,601</u>	<u>90,015</u>
Segment operating liabilities	95,868	26,128
Current tax liabilities	14,264	1,578
Deferred tax liabilities	5,514	1,015
Group total liabilities	<u>115,646</u>	<u>28,721</u>

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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-

	2016 \$'000	2015 \$'000
Cash	1,796	1,795
Cash on deposit	3,412	466
Total cash and cash equivalents	<u>5,208</u>	<u>2,261</u>

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

Profit for the year after income tax	22,349	9,349
Non-Cash Items		
Depreciation and amortisation of non-current assets	8,803	3,844
Deferred income	(172)	(171)
Loss/(Profit) on disposal of non-current assets	(5)	(155)
Share Option cost	32	23
Share raising costs	-	-
Changes in net assets and liabilities		
Tax balances Increase/(Decrease)	1,466	(33)
Current trade receivables Decrease/(Increase)	(939)	(195)
Current inventories (Increase)/Decrease	(237)	106
Other current assets Decrease/(Increase)	(466)	133
Current trade and other creditors Increase/(Decrease)	(562)	(989)
Employee entitlements Increase/(Decrease)	1,825	277
Net cash provided by operating activities	<u>32,094</u>	<u>12,189</u>

2B TRADE AND OTHER RECEIVABLES - CURRENT

Trade receivables	14,679	2,975
Other	324	258
Allowance for doubtful debts	(52)	(6)
Total trade and other receivables	<u>14,951</u>	<u>3,227</u>

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

	<i>Individually Impaired</i>	<i>Individually Impaired</i>
Allowance for doubtful debts-		
Opening Balance	(6)	(13)
Charge for the Year	(46)	-
Utilised	-	7
Closing Balance	<u>(52)</u>	<u>(6)</u>

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

	Total	<i>Neither past due or impaired</i> 0-30 days	<i>Receivables past due but not impaired.</i> 31-60 days	<i>Receivables past due but not impaired.</i> 61-90 days	<i>Receivables past due but not impaired.</i> Over 90 days	<i>Impaired</i>
2016 - Consolidated	14,679	12,589	1,616	250	172	52
2015 - Consolidated	2,975	1,777	855	287	50	6

All other debtors are not past due and not impaired.

2C INVENTORIES

Fuel (at cost)	327	176
Goods held for resale (at cost)	580	375
Spare Parts	<u>2,247</u>	<u>751</u>
Total current inventories	<u>3,154</u>	<u>1,302</u>

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

2D PROPERTY, PLANT AND EQUIPMENT

		2016 \$'000	2015 \$'000
Land and buildings			
<i>Cost</i>			
Opening balance		16,060	16,115
Additions		47	207
Acquired through business combinations	7A	4,063	-
Disposals		-	(262)
Closing balance		<u>20,170</u>	<u>16,060</u>
<i>Accumulated depreciation</i>			
Opening balance		2,039	1,750
Disposals		-	(80)
Depreciation for the year	1B (b)	492	369
Closing balance		<u>2,531</u>	<u>2,039</u>
Total land and buildings, net		<u>17,639</u>	<u>14,021</u>
Plant and equipment			
<i>Cost</i>			
Opening balance		12,215	11,258
Transfers		540	-
Transfer from capital work in progress		504	-
Acquired through business combinations	7A	6,222	-
Additions		1,411	1,901
Disposals		(454)	(944)
Closing balance		<u>20,438</u>	<u>12,215</u>
<i>Accumulated depreciation</i>			
Opening balance		6,069	5,933
Transfers		387	-
Depreciation for the year	1B (b)	1,308	892
Disposals		(433)	(756)
Closing balance		<u>7,331</u>	<u>6,069</u>
Total plant and equipment, net		<u>13,107</u>	<u>6,146</u>
Plant and equipment under lease			
<i>Cost</i>			
Opening balance		884	884
Additions		406	-
Transfers		(540)	-
Disposals		-	-
Closing balance		<u>750</u>	<u>884</u>
<i>Accumulated depreciation</i>			
Opening balance		459	368
Depreciation for the year	1B (b)	68	91
Transfers		(387)	-
Disposals		-	-
Closing balance		<u>140</u>	<u>459</u>
Total leased plant and equipment, net		<u>610</u>	<u>425</u>
Ferries			
<i>Cost</i>			
Opening balance		71,553	61,971
Additions		3,411	8,887
Acquired through business combinations	7A	93,125	-
Transfers from Capital works-in progress		-	3,268
Disposals		-	(2,573)
Closing balance		<u>168,089</u>	<u>71,553</u>
<i>Accumulated depreciation</i>			
Opening balance		20,018	18,251
Depreciation for the year	1B (b)	5,970	2,492
Disposals		-	(725)
Closing balance		<u>25,988</u>	<u>20,018</u>
Total ferries, net		<u>142,101</u>	<u>51,535</u>

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

2D PROPERTY, PLANT AND EQUIPMENT (cont)

	2016 \$'000	2015 \$'000
Capital works-in-progress		
Opening balance	504	3,268
Additions	1,580	504
Transfers to ferry/buildings	(504)	(3,268)
Closing balance - represented by ferries/pontoon.	<u>1,580</u>	<u>504</u>
Total property, plant and equipment, net	<u>175,037</u>	<u>72,631</u>

At 30 June 2016, there was 1 new vessel build in progress for use in Darwin. The vessel will replace the James Grant which will be relocated to Gladstone on a long term contract. At 30 June 2015, work in progress relates to a mobile pontoon for use in Sydney Harbour. Refer also to Note 6A for capital commitments.

2E INTANGIBLE ASSETS

<i>Goodwill - at cost</i>		
<i>Cost</i>		
Opening balance	6,758	6,758
Additions through business combination	33,671	-
Closing balance	<u>40,429</u>	<u>6,758</u>
<i>Accumulated Impairment</i>		
Opening and Closing balance	<u>(129)</u>	<u>(129)</u>
Total goodwill	<u>40,300</u>	<u>6,629</u>
<i>Customer contracts</i>		
Additions through business combination	8,413	-
Closing balance - at cost	8,413	-
Less - amortisation during the period	(965)	-
Total customer contracts	<u>7,448</u>	<u>-</u>
Total intangible assets, net	<u>47,748</u>	<u>6,629</u>

Goodwill acquired through business acquisitions has been allocated to KI Odysseys (\$209,000), Sealink Queensland (\$6,420,392), Australian Holiday Centre Sydney (\$128,520), Captain Cook Cruises WA (\$3,590,174) and the Transit Systems Marine business (\$30,081,028) being cash generating units (CGU's). The Group's impairment testing compares the carrying value of each CGU with its recoverable amount as determined using a value in use calculation. Australian Holiday Centre has been fully provided for in previous financial years.

The majority of goodwill associated with the Transit Systems marine business relates to the North Stradbroke Island ferry service, none of which is deductible for income tax purposes. The Group performed its annual impairment test at 30 June 2016.

The assumptions for determining the recoverable amount are based on past experience and Senior Management's expectations for the future. The cash flow projections are based on annual financial budgets approved by senior management extrapolated using a 3% growth rates for a five-year period.

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

A pre-tax discount rate of 11.9% (2015:12.1%) was applied to cash flow projections and terminal value to arrive at the recoverable amount. As a result of the updated analysis, management did not identify an impairment for either of these CGU's.

Key assumptions used in the value in use calculations

The calculation of value in use for both cash generating units is most sensitive to the following key material assumptions:

- * *Passenger numbers to Magnetic Island* - An increase of 1% in traffic has been inbuilt into forecast sales based on increased tourism flow into Australia as well as a growing population base in Townsville.
- * *Vessel repairs* - These are estimated to increase at CPI (3% assumed) adjusted for significant expected engine rebuilds.
- * *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 on-line sales expected.
- * *Passenger revenue for CCC WA* - an increase of 2% in traffic as well as a 2% pricing increase based on increased tourism flow and growth from Elizabeth Quay.
- * *Revenue for ex Transit Marine business* - an increase in revenue of 3% to reflect small traffic growth as well as a 2% pricing increase based on increased tourism flow to Stradbroke Island, CPI increases built into fixed contracts and growth in vessel charter rates.
- * No change to the current level of depreciation has been assumed for all business units.

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

Customer Contracts

Customer contracts of \$8.4m are associated with several government contracts for ferry services in Southern Moreton Bay, a ferry contract for sand transport and contracts associated with ferry transport in Gladstone and Perth. Contracts are amortised over their estimated life based on a combination of the length of customer contract and the likelihood of renewal. The amortisation period ranges between 5 and 7 years.

During the period, the Company recorded an amortisation of \$965,000 associated with customer contracts with an associated reduction in the Deferred Tax Liability of \$289,500.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

2F TRADE AND OTHER PAYABLES

	2016 \$'000	2015 \$'000
Current (all unsecured)		
Trade creditors (i)	4,940	3,231
Sundry payables and accruals	4,419	2,007
Total current trade and other payables	9,359	5,238

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

2G PROVISIONS

Current		
Employee entitlements	8,525	4,453
Non-Current		
Employee Entitlements	989	982

2H UNEARNED REVENUE

Current		
Deferred income - Government grant	172	172
Prepaid travel (a)	4,828	3,642
Total unearned revenue	5,000	3,814
Non-Current		
Deferred income - Government grant	1,149	1,321
Total non-current payables	1,149	1,492

(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 2016 (2015: 1 July 2015).

Government Grants

There were no grants received during the year. All grants are released to income equally over the expected useful life of the asset. Previous grants released to income totalled \$171,639 (2015:\$171,639).

2I INTEREST BEARING LOANS AND BORROWINGS

Current		
Secured:		
Bank and other loans (i), (iii)	974	-
Lease liabilities (ii) (Note 6A)	1,890	3,293
Total current interest bearing liabilities	2,864	3,293
Non-Current		
Secured:		
Bank loans (i), (iii)	62,500	5,000
Lease liabilities (ii) (Note 6A)	2,733	2,027
	65,233	7,027

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

First registered mortgage over property situated at Penneshaw, Kangaroo Island, Neutral Bay Marina and Russell Island.
 First ranking registered company charge over all the assets and undertakings of all asset holding and trading subsidiaries.
 Registered ship mortgages over all vessels in the fleet that are not leased, except for the CCC WA vessels.
 Various guarantee facilities have been provided as surety on a range of lease contracts.
 Bank loans have been drawn down under an interchangeable bill facility with a limit of \$80.5m with ANZ which matures 6 November 2018.
 The current facility limit will reduce by \$5m by June 2017 and a further \$5m by June 2018. This limit is reviewed annually.
 As part of the interchangeable facility with ANZ, \$7m has been allocated for hire purchase and lease facilities.

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

(ii) Effectively secured over the assets leased. Leases are fixed rate with a lease term of between 48 and 60 months.
 Committed financing facilities of \$101,461,326 (2015: \$26,537,873) were available to the consolidated entity at the end of the financial year. As at that date, \$83,131,409 (2015: \$11,042,151) of these facilities were in use.

Interest bearing loans and borrowings have a fair value of \$68,075,000 (2015: \$10,283,000) and a carrying value of \$68,097,000 (2015:\$10,320,000).

During the year, interest bearing borrowings of \$12,809,000 were repaid from capital raised through cashflow from operations. Drawdowns of \$70,309,000 were made to fund the acquisition of the Transit Systems Marine and Captain Cook Cruises WA businesses.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

2J DEFERRED INCOME TAX

Deferred income tax at 30 June relates to the following:	Statement of Financial Position		Statement of profit and loss	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED				
<i>Deferred tax assets</i>				
Provision for doubtful debts	16	2	14	2
Government grants	396	448	(51)	51
Accruals	41	54	(93)	(34)
Capital expense timing differences	611	301	(195)	(6)
Revaluation of cash flow hedge (interest rate swap)	321	-	-	-
Asset timing depreciation differences	454	286	168	(1)
Employee entitlements	2,854	1,630	547	(82)
Total deferred tax assets	<u>4,693</u>	<u>2,721</u>		
<i>Deferred tax liabilities</i>				
Accelerated depreciation for tax purposes	1,214	950	(230)	183
Receivables	1,953	-	6,000	-
Customer contracts	2,234	-	290	
Consumables	113	65	(43)	(33)
Total deferred tax liabilities	<u>5,514</u>	<u>1,015</u>		
Deferred Income tax expense			<u>6,407</u>	<u>80</u>

2K OPERATING LEASE

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

2L OTHER FINANCIAL LIABILITIES

Derivative designated as hedging instrument

Current

Interest rate swap	<u>230</u>	<u>-</u>
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Non-current

Interest rate swap	<u>840</u>	<u>-</u>
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Refer Note 4B for details.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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. Apart from the conversion of share options to ordinary 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 gearing ratio at less than 60%. As at 30 June 2016, the gearing ratio was 33% (2015: 13%).

3B EQUITY

	Contributed Equity		No. of Shares on Issue	
	2016 \$'000	2015 \$'000	2016 000's	2015 000's
Issued and fully paid ordinary shares (all issued shares fully paid)-				
Opening balance	33,904	30,164	76,815	73,815
Conversion of Options (refer Note 7D)	1,084	3,740	781	3,000
Issue of shares through a Share Placement in September 2015	38,380	-	16,004	-
Issue of shares through a Share Purchase Plan in October 2015	10,835	-	4,354	-
Issue of shares as purchase consideration in November 2015 (refer Note 7A)	10,848	-	3,200	-
Deferred tax associated with share issue expenses	506	-	-	-
Total	95,557	33,904	101,154	76,815

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

3C RESERVES

Share Option Reserve

Opening Balance	487	464
Share option expense	32	23
Closing balance	519	487

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	-	-
Revaluation of interest rate hedge (refer Note 4B)	(749)	-
Closing balance	(749)	-
Total reserves	(230)	487

3D DIVIDENDS

Dividends on ordinary shares declared and paid during the period:

Interim dividend for 2016: 4.5 cents (2015: 3.8 cents)	4,551	2,919
Final dividend for 2015: 4.0 cents (2014: 3.7 cents)	3,073	2,842

Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 June):

Final dividend for 2016: 7.5 cents (2015: 4.0 cents)	7,587	3,073
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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	10,745	7,549
Franking credits that will arise from the payment of income tax as at the end of the financial year.	14,264	1,578
	25,009	9,127

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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-

	2016 \$'000	2015 \$'000
Net profit attributable to ordinary equity holders of the parent and for basic earnings and adjusted for the effect of dilution	<u>22,349</u>	<u>9,349</u>
	000's	000's
Weighted average number of ordinary shares for basic earnings per share	94,524	76,169
Effect of dilution from share options and performance rights	839	1,558
Weighted average number of ordinary shares adjusted for dilution	<u>95,363</u>	<u>77,727</u>

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

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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.

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 comprise 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, use cash advance facilities which are variable interest rate based, uses interest rate hedges or enters into longer term fixed rate loans. At 30 June 2016, 52% of the Group's interest bearing borrowings are effectively at a fixed rate of interest (2015: 51%).

The sensitivity analyses in the following sections relate to the position as at 30 June 2016 and 30 June 2015. 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 2016. 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	
	2016	2015	2016	2015	2016	2015	2016	2015
Financial Assets			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Floating Rate</i>								
Cash Assets	1.0%	0.6%	5,208	2,261	-	-	5,208	2,261
Financial Liabilities								
<i>Floating Rate</i>								
Overdraft	3.50%	5.20%	-	-	-	-	-	-
Cash advance	3.54%	3.54%	-	-	32,500	5,000	32,500	5,000
<i>Fixed Rate</i>								
Cash advance	3.93%	n/a	-	-	30,000	-	30,000	-
Leases	4.60%	5.99%	1,890	3,293	2,733	2,027	4,623	5,320
Net Exposure			3,318	(1,032)	(65,233)	(7,027)	(61,915)	(8,059)

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 AFFECT		EQUITY AFFECT	
	Consolidated 30 June 2016	Consolidated 30 June 2015	Consolidated 30 June 2016	Consolidated 30 June 2015
Judgement of reasonably possible movements -				
Movement of 0.5% increase in rates	(114)	(8)	609	-
Movement of a 1% decrease in rates	228	16	(1,239)	-

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

Commodity risk - Fuel price

The Group did not have any fuel forward derivatives to hedge changes in the underlying prices of fuel at 30 June 2016.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. There are no major concentrations of credit risk. There were no exposures that comprised more than 12% of trade receivables. Collection of this debt is not considered doubtful.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on references, industry knowledge, ability to pay and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored with an analysis reported to the Board monthly.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 2B. The Group does not hold collateral as security.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 4: RISK (cont)

4A FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont)

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Audit and Risk Committee in accordance with the Group's policy. Investments of surplus funds are only placed with the Group's major bank.

Liquidity risk

The Group monitors its risk to a shortage of funds using a liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, interchangeable limits, finance leases and hire purchase contracts. The Group's policy is to ensure that the core funding limits have no less than a 12 month maturity date. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing or alternative lenders.

The table below sets out the maturity profile of the Group's financial liabilities based on contracted undiscounted payments including interest. Estimated variable interest expense is based upon the rate applying as at 30 June 2016.

Year ended 30 June 2016	On demand	0 - 3 months	3 -12 months	1-5 years	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest-bearing loans and borrowings	-	-	-	74,244	74,244
Trade and other payables	-	9,757	-	-	9,757
Other financial liabilities	-	59	176	780	1,014
Financial guarantee contracts	15,978	-	-	-	15,978
Leases/hire purchase	-	544	1,376	2,954	4,874
TOTAL	15,978	10,360	1,552	77,978	105,867
Year ended 30 June 2015	On demand	0 - 3 months	3 -12 months	1-5 years	TOTAL
Interest-bearing loans and borrowings	-	-	-	5,251	5,251
Trade and other payables	-	5,238	-	-	5,238
Financial guarantee contracts	692	-	-	-	692
Leases/hire purchase	-	473	2,961	2,293	5,727
TOTAL	692	5,711	2,961	7,544	16,908

4B HEDGING

Cash flow hedge for interest rate risk

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

The fair value adjustment required was assessed as material and as such, the gross difference of \$1,070,006 was recorded as a financial liability with the associated tax effect forming part of Deferred Tax Asset. The net difference of \$749,004 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.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 5: ACCOUNTING POLICIES

5A BASIS OF PREPARATION

The consolidated financial statements for the year ended 30 June 2016 have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report is a general purpose financial report, has also been prepared on a historical cost basis except for derivatives which use fair value, and presented in Australian dollars. The Group is a for-profit entity for the purposes of preparing the financial report.

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

5B SIGNIFICANT ACCOUNTING POLICIES IN THE PREPARATION AND PRESENTATION OF ACCOUNTS

(a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has-

- * Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- * Exposure, or rights, to variable returns from its involvement with the investee, and
- * The ability to use its power over the investee to affect its returns.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(b) Financial liabilities

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

(c) Inventories

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

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

(d) Taxes

Income taxes

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

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

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

- * when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; or
- * when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint arrangements, the timing of the reversal of the temporary differences can be controlled and it is probable that temporary difference will not reverse in the foreseeable future.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 5: ACCOUNTING POLICIES (cont)

5B SIGNIFICANT ACCOUNTING POLICIES IN THE PREPARATION AND PRESENTATION OF ACCOUNTS (cont)

(d) Taxes (cont)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

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

* when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint arrangements, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and the taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted at balance date.

Deferred tax asset and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) Leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Statement of Comprehensive Income.

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 Comprehensive Income 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 LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 5: ACCOUNTING POLICIES (cont)

5B SIGNIFICANT ACCOUNTING POLICIES IN THE PREPARATION AND PRESENTATION OF ACCOUNTS (cont)

(f) Business combinations and goodwill (cont)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

(g) Employee Benefits

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

(h) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying value of its tangible and intangible assets and cash generating units to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

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.

Apart from goodwill associated with the acquisition of the Transit Systems Marine business and Captain Cook Cruises WA, 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 Comprehensive Income 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 -

	<u>Life</u>
Buildings	14 - 40 years
Plant and equipment	3 - 20 years
Plant and equipment under lease	Term of the lease
Ferry - at cost	5 - 25 years

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 5: ACCOUNTING POLICIES (cont)

5B SIGNIFICANT ACCOUNTING POLICIES IN THE PREPARATION AND PRESENTATION OF ACCOUNTS (cont)

(j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the economic entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of Services

For ferry services, revenue is recognised on a departure date basis whereby customers or groups who have paid for travel related services have actually departed on those travel services. The revenue is recognised in the month of the said departure date.

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

Interest

Revenue is recognised as interest accrues using the effective interest method.

Operating leases

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

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

(k) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowing in current liabilities on the statement of financial position.

(l) Trade and other receivables

Trade receivables, which generally have 14 - 60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivable is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(m) Contributed Equity

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

(n) Trade and other payables

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

(o) Foreign Currency transactions and balances

Functional and presentation currency

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

Transaction and balances

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

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

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 5: ACCOUNTING POLICIES (cont)

5B SIGNIFICANT ACCOUNTING POLICIES IN THE PREPARATION AND PRESENTATION OF ACCOUNTS (cont)

(p) Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Statement of Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(q) Tax consolidation and tax sharing

Sealink Travel Group's wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime effective 1/1/05. Sealink Travel Group Ltd is the head entity of the tax consolidated group.

Each of the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

Allocations under the tax funding agreement are made at the end of each reporting period. The allocation of taxes under the tax funding arrangement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(s) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised.

(t) Intangible assets

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

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

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

Intangible assets with indefinite lives are not amortised, but are tested for impairment annually, either individually or at the cash generating level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

(u) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Key Estimates - Impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates, such as passenger numbers, growth rates and terminal value.

Key Estimates - Doubtful debts provision

The consolidated entity assesses the level of doubtful debts at each reporting date by evaluating past performance of bad debts, the level of receivables that are overdue and specific collection responses. These assessments incorporate a number of key estimates around credit assessment and security position.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 5: ACCOUNTING POLICIES (cont)

5B SIGNIFICANT ACCOUNTING POLICIES IN THE PREPARATION AND PRESENTATION OF ACCOUNTS (cont)

(v) Fair values

The Group measures the interest rate swap derivative at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- * In the principal market for the asset or liability, or
- * In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- * Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- * Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- * Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5C CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015. There were no new standards or interpretations adopted as of 1 July 2015.

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

5D ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting standards and interpretations issued but not yet effective Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2016, are outlined in the table as follows:

Although a detailed assessment of AASB 15 and AASB 16 has yet to be undertaken, none of the amendments are expected to have a material impact on the Group. The Company is currently evaluating the impact of these new standards.

<i>Reference</i>	<i>Title</i>	<i>Summary</i>	<i>Application Date of Standard</i>	<i>Application Date for Group</i>
AASB 15	Revenue from contracts	The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. An entity recognises revenue in accordance with that principle by applying various steps set out in AASB 15.	1 January 2018	1 July 2018

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 5: ACCOUNTING POLICIES (cont)

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

<i>Reference</i>	<i>Title</i>	<i>Summary</i>	<i>Application Date of Standard</i>	<i>Application Date for Group</i>
AASB 9	Financial Instruments	AASB 9 includes a logical model for classification and measurement, a single forward looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. The new standard requires entities to account for expected credit losses from when the financial instruments are first recognised and to recognise full lifetime losses on a more timely basis. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The changes will not have a material impact on the Group.	1 January 2018	1 July 2018
AASB 2015-2	Financial statements	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> . The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in financial statements. The changes will not have a material impact on the Group.	1 January 2016	1 July 2016
AASB 16	Leases	The key features of AASB 16 are as follows: Lessee accounting <ul style="list-style-type: none"> • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. Lessor accounting <ul style="list-style-type: none"> • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. 	1 January 2019	1 July 2019

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	2016		2015	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets				
Cash	5,208	5,208	2,261	2,261
Trade and other receivables	14,951	14,951	3,227	3,227
Financial Liabilities				
Bill facilities	62,500	62,500	5,000	5,000
Other loans	974	974	-	-
Interest rate swap	1,070	1,070	-	-
Lease and hire purchase	4,623	4,601	5,320	5,283
Trade and sundry creditors	9,359	9,359	5,238	5,238

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 LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 6: UNRECOGNISED ITEMS

6A COMMITMENTS

	30 June 2016 \$'000	30 June 2015 \$'000
a) Capital commitments: Vessels and buses	1,146	90
b) Commitments under non-cancellable operating leases:		
Not later than one year	2,644	2,096
Later than one year but not later than five years	6,266	5,134
Later than five years	3,901	2,081
	12,811	9,311
c) Finance lease commitments:		
Not later than one year	1,890	3,434
Later than one year but not later than five years	2,984	2,293
Minimum lease payments	4,874	5,727
Future finance charges	(251)	(407)
Net finance lease liability	4,623	5,320
Included in Interest Bearing Loans and borrowings (Note 21) as:		
Current liability	1,890	3,293
Non-current liability	2,733	2,027
	4,623	5,320

d) Operating lease commitments — Sealink as lessor

The Group has entered into a property sub-lease for a portion of its tenancy at the Townsville terminal. The sub-lease was for a term of 2 years and contains a clause to enable upward revision of the rental charge on an annual basis based on CPI movement.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows -

Within one year	87	21
After one year but not more than five years	152	-
	239	21

6B CONTINGENCIES

There were no contingencies of material note as at 30 June 2016 (2015: Nil).

6C EVENTS REPORTED AFTER BALANCE DATE

A fully franked dividend of \$7,586,558 representing 7.5 cents per share based on the current number of ordinary shares was declared by the Directors on 10 August 2016 to be paid 14 October 2016. 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 LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 7: OTHER

7A BUSINESS COMBINATIONS

Acquisition of Transit Systems Marine

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

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

The acquisition has expanded Sealink's geographic base as well as creating opportunities for expansion. It has been accounted for using the acquisition method. The consolidated financial statements include the results of TSM for the period from 7th November 2015 until 30th June, 2016.

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

	Fair Value recognised on acquisition \$'000
Assets	
Cash and cash equivalents	200
Trade and other receivables	9,801
Inventories	1,439
Prepayments	21
Property, plant and equipment	95,569
Customer contracts (Refer Note 2E)	7,619
Deferred tax asset	657
	115,306
Liabilities	
Trade and other payables	3,651
Unearned revenue	1,102
Interest bearing loans and borrowings	4,906
Operating lease liability	3,870
Current tax liabilities	4,619
Provisions	1,928
Deferred tax liabilities	10,221
	30,297
Total identifiable assets at fair value	85,009
Goodwill arising on acquisition	30,081
Purchase Consideration transferred	115,090
This consisted of -	
Shares issued at fair consideration	10,848
Net Cash paid after vendor refund	104,242
Total purchase consideration	115,090

There was no contingent consideration.

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

Goodwill

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

From the date of acquisition, Transit Systems Marine has contributed \$58.4m to revenue and \$19.5m to the earnings before tax from continuing operations. If the combination had taken place at the start of the financial year, revenue from continuing operations for the Group would have been \$93.0m and profit before tax from continuing operations for the Group would have been \$30.2m.

The profit before tax achieved in the first 4 months of the financial year has been extracted from the vendor's accounting systems using unaudited accounts and using the vendor's accounting policies as it is impractical to revise accounts on a consistent policy basis.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 7A: BUSINESS COMBINATIONS (Cont.)

\$'000

Additional cash flows on acquisition:

Transaction costs of the acquisition (included in cash flows from Operations)	(976)
Transaction costs associated with issuance of shares	(1,679)
Total additional cash flows on acquisition	<u>(2,655)</u>

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

Transaction costs of \$976,000 have been expensed and are disclosed as a separate line item in the profit and loss. The attributable costs of the issue of shares of \$1,679,000 less an associated tax benefit of \$503,820 have been charged directly as a reduction to issued capital.

Acquisition of Captain Cook Cruises WA

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

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

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

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

	Fair Value recognised on acquisition \$'000
Assets	
Cash and cash equivalents	26
Trade and other receivables	584
Inventories	176
Prepayments	79
Property, plant and equipment	7,841
Customer contracts (Refer Note 2E)	794
Deferred tax asset	98
	<u>9,598</u>
Liabilities	
Trade and other payables	1,117
Current tax liabilities	231
Provisions	326
Deferred tax liabilities	258
	<u>1,932</u>
Total identifiable assets at fair value	7,666
Goodwill arising on acquisition	3,590
Purchase Consideration transferred	<u>11,256</u>

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

Analysis of cash flows on acquisition:

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

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

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

Goodwill

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

From the date of acquisition, Captain Cook Cruises WA has contributed \$1.2m to revenue and incurred a loss before tax of \$0.3m 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 \$10.3m and profit before tax from continuing operations for the Group would have been \$1.1m. The profit before tax achieved in the first 10 months of the financial year has been extracted from the vendor's accounting systems using unaudited accounts and using the vendor's accounting policies which are consistent with those adopted by the Group.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

7B CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of Directors on 10 August 2016.

Sealink Travel Group Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The Company listed on the Australian Stock Exchange on 16 October, 2013. The principal business units of the Company and its subsidiaries (the Group) are described in Note 1D.

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

	2016 \$'000	2015 \$'000
Current Assets	-	-
Noncurrent Assets	97,284	37,688
Total Assets	<u>97,284</u>	<u>37,688</u>
Current Liabilities	(480)	1,578
Non-current Liabilities	2,207	2,207
Total Liabilities	<u>1,727</u>	<u>3,784</u>
Net Assets	<u>95,558</u>	<u>33,904</u>
Contributed equity	95,557	33,904
Reserves	520	487
Retained profits	(520)	(487)
Total Parent Equity	<u>95,557</u>	<u>33,904</u>
Profit or loss of the parent entity	7,591	5,738
Total comprehensive income of the parent entity	<u>7,591</u>	<u>5,738</u>

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

7D SHARE OPTION PLANS

(a) Recognised share-based payment expenses;		
Expense arising from options issued in 2015	18	23
Expense arising from performance rights issued in 2016	14	-
Total expense	<u>32</u>	<u>23</u>

(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. No options were granted during the 2016 financial year.

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 using the following assumptions-

Effective date issued	31 August 2015
Number of Performance Rights issued	85,000
Minimum hurdle share price	\$ 3.20
Dividend yield	3.35%
Expected volatility (as per valuation)	27.6%
Risk free interest rate	3.35%
Expected life (years)	3.0
Valuation per performance right	\$ 0.618
Expense allocated over vesting period	\$ 52,530
ASX price at issue date	\$ 2.41

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

7D SHARE OPTION PLANS (cont)

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

	2016		2015	
	Number ('000's)	WAEP	Number ('000's)	WAEP
Outstanding at the beginning of the year	981	1.62	3,781	1.31
Granted (under the Employee Share Option Plan)	-	n/a	200	2.50
Forfeited	-	n/a	-	1.20
Exercised	(781)	1.40	(3,000)	1.25
Outstanding at year end	<u>200</u>	<u>2.50</u>	<u>981</u>	<u>1.62</u>

The outstanding balance is represented by -

		2016	2015
Type	Option Class		
ESOP		200	231
Directors	C	-	750
		<u>200</u>	<u>981</u>

Ordinary shares totalling 781,250 were issued during the year as a result of conversion of share options (2015: 2,999,923).

	2016		2015	
	Number ('000's)	WAEP	Number ('000's)	WAEP
Outstanding at the beginning of the year	-	n/a	-	n/a
Granted (under the Employee Share Option Plan)	85	\$Nil	-	n/a
Exercised	-	n/a	-	n/a
Outstanding at year end	<u>85</u>	<u>\$Nil</u>	<u>-</u>	<u>n/a</u>

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) - Appointed Chairman 1 July, 2015
Mr C Smerdon	Director – (non-executive)
Mr W T Spurr	Director – (non-executive)
Mr T Dodd	Director – (non-executive)
Mrs A Staines	Director – (non-executive) - Appointed 15 February, 2016
Mr J R Ellison	Managing Director and Chief Executive Officer
Mrs L Hughes Turnbull	Director – (non-executive) - Retired 27 October, 2015
Mr FA Mann	Director – (non-executive) - Retired 27 October, 2015.

Other Key Management Personnel -

Ms D Gauci	General Manager, Sealink South Australia
Mr T Waller	Chief Financial Officer, Company Secretary
Mr A Haworth	General Manager, Captain Cook Cruises
Mr P Victory	General Manager, Sealink Queensland

(b) Transactions with related parties

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

- Purchases and services totalling \$60,331 from Vectra Corporation Ltd, a company associated with Mr C Smerdon (2015: \$23,099);
- Purchases and services totalling \$43,393 from Tourism and Allied, a company associated with Mr C Smerdon (2015: \$103,428);
- Purchases and services totalling \$7,090 from Pacific Marine, a company associated with Mr T Dodd (2015: \$119,475);
- Purchases and services totalling \$22,571 from Fairfax Media, a company associated with Mr A McEvoy (2015: n/a);

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

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

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

7E RELATED PARTY TRANSACTIONS (cont)

(c) Key Management Personnel Remuneration

	2016 \$'000	2015 \$'000
Short-Term	2,275	2,022
Post employment	161	138
Other long-term benefits - LSL	105	25
Termination Benefits	-	-
Share-based payment	8	-
	<u>2,549</u>	<u>2,185</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 and trusts are incorporate in Australia and all 100% owned -

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

Independent auditor's report to the members of Sealink Travel Group Ltd

Report on the financial report

We have audited the accompanying financial report of Sealink Travel Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of 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 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 5a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

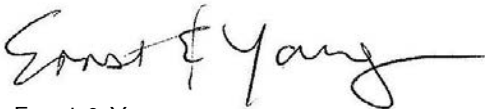
- a. the financial report of Sealink Travel Group Ltd is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 5a.

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Sealink Travel Group Ltd for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Nigel Stevenson
Partner
Adelaide
10 August 2016