



SeaLink Travel Group Limited

Tax Contribution Report
September 2019

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1 2019 Tax Transparency Report

1.1 Audit Committee Statement

On behalf of SeaLink's Audit and Risk Committee, I am pleased to present the Tax Transparency Report for 2019. SeaLink is a listed public company in the top 300 on the ASX and welcomes the opportunity to present a report on taxes paid in Australia and the Company's tax strategy. SeaLink currently has no direct dealings overseas and therefore is limited to one tax jurisdiction.

In this respect, we have adopted the recommendations of Part A of the Board of Tax's voluntary "Tax Transparency Code" ("**TTC**"). SeaLink is considered to be a 'medium' business for the purposes of the TTC because its Australian turnover was greater than \$100 million and less than \$500 million during the 2019 year. We support the adoption of this voluntary code and believe it provides users with a comprehensive picture of SeaLink's tax profile.

SeaLink has a strong commitment to transparency and compliance from a regulatory and financial perspective and values the principle of being transparent with respect to its tax strategy and compliance.

The Audit and Risk Committee has committed to update and review this report and approach annually.

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Chair – Audit and Risk Committee
September, 2019

2 SeaLink Travel Group Limited

2.1 Our Operations

As the largest ferry company in Australia, SeaLink Travel Group (SeaLink) is an established, geographically diversified transport and tourism company. We provide services in two diverse industries, namely: the Transport Industry, moving regular commuters and freight between destinations in Australia; and the Tourism Industry, promoting and packaging holiday destinations, providing tours and delivering tourists to Australian travel destinations.

The SeaLink business was founded in 1989 with the purchase of a ferry service linking Kangaroo Island with the South Australian mainland. SeaLink now has operations across five states and the Northern Territory operating under the well-recognised brands of "SeaLink" and "Captain Cook Cruises".

SeaLink owns and operates a fleet of 80 ferries and other maritime craft carrying over seven million passengers per year. Additionally, SeaLink operates a fleet of 60 coaches, buses and other passenger vehicles. SeaLink also holds licences, leases and agreements which enable it to operate services and access port facilities. SeaLink currently has over 1,600 staff located around Australia.

SeaLink Travel Group successfully listed on the Australian Securities Exchange (ASX) on the 16th October 2013 (ASX code, SLK) and has a market capitalisation of approximately \$369 million as at 23 September 2019.

SeaLink Travel Group has a footprint with a strong presence in South Australia, New South Wales, Western Australia, Queensland, Tasmania and the Northern Territory.

For more information, please visit www.sealinktravelgroup.com.au

2.2 SeaLink Travel Group Overview

SeaLink Travel Group has a footprint with an unparalleled and extensive presence in Australian States and territories, covering South Australia, New South Wales, Western Australia, Queensland, Tasmania and the Northern Territory.



Tourism

- Tourist cruises and other charter cruises on Sydney Harbour under the “Captain Cook Cruises” brand as well as Murray River cruising aboard the historic *PS Murray Princess* in South Australia
- Tourist cruises in Perth under the “Captain Cook Cruises” brand
- Travel Agencies in Adelaide and Townsville
- Coach tours throughout South Australia, Kangaroo Island and Fraser Island
- Packaging holidays throughout Australia
- Accommodation and restaurant facilities at Vivonne Bay Lodge on Kangaroo Island
- Bells Function centre in Western Australia, an event space and catering facility
- Departure lounge and on board cafes around Australia
- Resort accommodation on Fraser Island

Transport Services

- Passenger and freight ferry services between Cape Jervis and Kangaroo Island in South Australia
- Passenger ferry services between Lane Cove and Circular Quay, and between Darling Harbour and Circular Quay and Manly to Barangaroo in New South Wales
- Charter contracts for the provision of ferries to Harbour City Ferries (Sydney Ferries)
- Contract passenger ferry service for the Queensland Government (TransLink) to service four islands in the Southern Moreton Bay Islands
- Passenger ferry services between Townsville and Magnetic Island and Palm Island in Queensland
- Passenger ferry services between Darwin and Mandorah and a Government contracted ferry service to Tiwi Island
- Operation, on behalf of Transperth, of the commuter ferry service between the Perth CBD and South Perth
- Passenger ferry services to Rottnest Island in Western Australia
- Contract with the Queensland Department of Transport to operate the Moggill cable ferry crossing the Brisbane River in the western suburbs of the greater Brisbane metropolitan area
- Contract with Queensland government to provide a water Ambulance service in the Southern Moreton Bay Islands
- Provision of barging and ferry services for the three LNG plants in Gladstone, Queensland
- Barging of mineral sands from North Stradbroke Island to Brisbane
- Passenger and vehicular ferry services from Cleveland (Queensland mainland) to Dunwich (North Stradbroke Island)
- Vehicular barge service in the Southern Moreton Bay Islands, servicing Lamb, Karragarra, Macleay and Russel Islands
- Passenger ferry service on behalf of the Groote Eylandt community
- Passenger and vehicle ferry service to Fraser Island in Queensland
- Passenger and vehicle ferry service to Bruny Island in Tasmania

Technology

- Travellink Technology Pty Ltd
- QuickTravel
- IT Solutions
- Web development, ticketing and online sales solutions

3 Tax Strategy and Governance

3.1 Approach to Risk Management

As a publicly listed company with a high level of respect, built on the principles of strong ethics, honesty and safety and reliability, SeaLink has an obligation to its staff, customers and shareholders to adopt a conservative approach to its business affairs. A low risk tax strategy is adopted by SeaLink in order to meet this objective.

As part of its review processes, which encompasses new transactions and existing business, the Australian finance teams work closely together to analyse and evaluate tax risks. All Finance Managers in each business segment have an indirect reporting line to the Chief Financial Officer, except for the South Australian Finance Team which has a direct line of report.

Any major tax risk issue is escalated to the Audit and Risk Committee by the Chief Financial Officer.

The Audit and Risk committee has a tax agenda item, with any major items of concern then escalated to the Board.

3.2 Tax Planning

SeaLink's attitude toward tax planning is to ensure that transactions and compliance activities undertaken result in maintaining the low risk tax strategy adopted.

Specialist tax consultants are used to ensure compliance whether it relates to stamp duty, corporate tax, GST, payroll tax etc.

SeaLink Travel Group Limited and its subsidiaries (all 100% owned) have formed an income tax consolidated group, with SeaLink Travel Group Limited being the head entity.

3.3 Engagement with ATO

SeaLink's approach to risk is documented and has been shared with the Australian Taxation Office ("ATO"). In any tax matter, SeaLink will engage with the ATO early in relation to any major transactions to ensure co-operative and transparent communications.

4 Income Taxes Disclosed in the Annual Report

The income tax expense ("ITE") disclosed in SeaLink's Annual Report is calculated based on International Financial Reporting Standards ("IFRS"). In any one year, there will be a difference between the ITE calculated in the annual report compared to the cash taxes paid to the ATO during that same income year. This is because there are a number of factors such as the timing of tax instalments and other timing related differences (e.g. employee leave). There are very few material differences which affect the ITE rate for SeaLink, as shown in the 5 year Effective Tax Rate ("ETR") table below.

SeaLink calculates the ETR by dividing ITE by the net profit before tax. For 2019, the ETR for SeaLink was 13.7%. Set out below is a calculation –

- ITE to accounting profit;
- Reconciliation of ITE to cash taxes paid; and
- A 5 year history of the ETR.

ITE Reconciliation to Accounting Profit	2019	2019	2018	2018
	\$000	ETR	\$000	ETR
Net profit before tax	24,950		27,547	
ITE calculated at 30% of operating Profit	7,485	30.0%	8,264	30.0%
Other (entertainment etc)	17	0.1%	49	0.2%
Non-deductible expenses (goodwill / share option cost)	44	0.2%	45	0.2%
Due to Impairment on Investment	492	2.0%	-	0.0%
Due to business combination acquisition	-	0.0%	460	1.7%
Effect of income that is exempt from taxation	(4,633)	(18.6%)	(870)	(3.2%)
Amounts under / (over) provided in prior years	2	0.0%	34	0.1%
Income tax expense reported in the income statement	<u>3,407</u>	<u>13.7%</u>	<u>7,982</u>	<u>29.0%</u>

ITE Reconciliation to Cash Taxes Paid and Current Tax Provision:	2019	2018
	\$000	\$000
Opening Balance of Current Tax Provision	(6,334)	2,020
Tax (paid) refunded 2018	7,366	(2,054)
Tax paid 2019	<u>(10,905)</u>	<u>(14,180)</u>
Cash Taxes paid per Cashflow Statement	(3,539)	(16,234)
Current year tax liability	4,189	7,846
Current Tax liability from acquisition /other	-	34
Closing Balance of Current Tax Provision	<u>(5,684)</u>	<u>(6,334)</u>
Current Year tax Liability Arises From:		
ITE on Profit before tax per annual report	3,407	7,982
Under (over) provision in respect of prior year	(2)	(34)
Timing differences recognised in deferred tax	784	(102)
Current Year Tax Liability	<u>4,189</u>	<u>7,846</u>

5 Year Summary of Effective Tax Rates – Continuing Operations

Sealink Annual Report	2014	2015	2016	2017	2018	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net profit before tax	10,277	13,396	31,972	34,317	27,547	24,950
Income Tax Expense	3,044	4,047	9,623	10,485	7,982	3,407
Effective Tax Rate	29.6%	30.2%	30.1%	30.6%	29.0%	13.7%