

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
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FINANCIAL REPORT AND APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
ASX APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results in brief

	Normalised Results #			Statutory Results		
	Consolidated SeaLink			Consolidated SeaLink		
	Change from Period Ended 31 Dec			Change from Period Ended 31 Dec		
	2019	2018	Change	2019	2018	Change
	\$M	\$M	%	\$M	\$M	%
Revenue from Ordinary Activities	132.9	127.2	4.6%	132.9	127.2	4.6%
EBITDA * (excl significant items)	26.1	25.7	1.6%	28.0	25.7	8.9%
<i>One-off costs</i>						
Acquisition related costs (Transit Systems Group)^	0.0	0.0	n/a	(4.9)	(0.1)	n/a
Depreciation	(7.1)	(6.9)	2.8%	(8.8)	(6.9)	n/a
Amortisation	(0.9)	(1.0)	(6.9%)	(0.9)	(1.0)	(6.9%)
EBIT	18.1	17.8	1.7%	13.4	17.7	(24.4%)
Interest	(1.7)	(2.2)	(22.7%)	(1.9)	(2.2)	(13.6%)
Net Profit Before Tax attributable to the members of SeaLink Travel Group Limited	16.4	15.6	4.9%	11.5	15.5	(26.0%)
Tax	(2.8)	(2.5)	12.0%	(2.8)	(2.5)	9%
Profit After Tax	13.6	13.1	3.8%	8.7	13.0	(32.8%)

Normalised Results have been adjusted for significant one off items and pre AASB16 for the period ended 31 December 2019

^ Costs associated with the acquisition of Transit Systems Group including legal, accounting, tax and other professional costs (excludes \$6.4M associated with the capital raising which are reflected in equity on an after tax basis)

Dividends

The Company declared and announced on 2 January 2020 an Interim Dividend in line with last year as follows:

	Amount per Share (Cents)	100% Franked Amount per Share (Cents)
31 December 2019		
Interim Dividend	6.5	6.5
30 June 2019		
Interim Dividend	6.5	6.5
Final Dividend	8.5	8.5

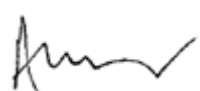
1. The record date for determining entitlements to the interim dividend of 6.5 cents per share was 8 January 2020. The payment date for the Interim Dividend is 31 March 2020.
2. Final dividend of 8.5 cents per share for the year ended 30 June 2019 was declared 27 August 2019.

Net tangible assets

	Dec 2019	Dec 2018
	\$	\$
Net tangible asset backing per ordinary share	2.15	1.06

The report is based on accounts which have been reviewed by the auditor of SeaLink Travel Group Limited. There have been no matters of disagreement and a report of its review appears in the half-yearly financial report. This report should be read in conjunction with the Statutory Accounts for the year ended 30 June 2019.

Signed:



A J McEvoy
Chair
25 February 2020

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

The Board of Directors of SeaLink Travel Group Limited has pleasure in submitting its report for the half-year ended 31 December 2019.

Directors

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

Andrew J. McEvoy - (B. Arts, MA Int. Comms.) - Chair

Jeffrey R. Ellison - (B. Acc., FCA, FAICD) - Managing Director and Chief Executive Officer (retired from CEO role on 16 January 2020 and remains a Director)

Christopher D. Smerdon - (MAICD)

Terry J. Dodd

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

Fiona A. Hele - (B. Com., FCA, FAICD)

Neil E. Smith (became a Director on 16 January 2020)

Company Secretary

Joanne H. McDonald (LLB, B.Ec. GAICD) and Andrew D. Muir (B.Ec., MBA, GAICD).

Review of operations and results

Group Results Overview

SeaLink Travel Group Limited (SeaLink) recorded a normalised Net Profit after Tax (NPAT) of \$13.6m compared to \$13.0m for the previous corresponding half.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) on a normalised basis was \$26.1m compared to an EBITDA of \$25.7m for the December 2018 half-year.

SeaLink Directors declared on 2 January 2020 a fully franked Interim Dividend of 6.5 cents per share (2018/19 Interim Dividend 6.5 cents per share) the same as last year payable on 31 March 2020.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Review of Operations

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

- Underlying Net Profit After Tax of \$13.6m, up 3.8% on prior year with total income of \$132.9m for the half
- Strong Gross Operating Cashflow in line with the previous half
- Acquisition of Transit Systems Group – announced 8 October 2019, settled on 16 January 2020
- Successful capital raising of \$154m to facilitate the Transit Systems Group acquisition
- Announcement of Mr Clint Feuerherdt as new Group CEO of SeaLink
- New multi tranche debt and revolving credit facilities with three to five year terms
- Strong turnaround of CCC NSW and WA businesses
- Commencement of new Perth to Rottnest Island service – November 2019
- Renewal of the Mandorah and Tiwi Islands ferry contract in the Northern Territory
- Delivery of new adventure/transfer vessel for Fraser Island – December 2019
- Delivery of new Bruny Island vessel – February 2020

Kangaroo Island SeaLink – (including PS Murray Princess)

Revenue was slightly up on last year for SeaLink's South Australian operation due to continued revenue growth for the Kangaroo Island ferry – up 2.2%. Freight to Kangaroo Island showed ongoing growth, up 4.9% for the half, vehicle numbers were flat but passenger numbers were down by 1.1%.

Kangaroo Island coach touring revenue grew on 2018/19 results, however due to the cancellation of four out of the first six cruise ship visits to the Island due to weather related issues, revenue from Groups and Charter was below expectations.

All operating expenses and overheads have been well controlled for the half year resulting in an increase of 12.6% EBITDA on the previous year.

The Murray Princess has had a challenging first half with revenue 4.4% down on the prior year. Ongoing perceptions of lack of water in the Murray River due to media coverage around drought and the continuing increase in heavily discounted ocean cruise offers from Australian ports, including Adelaide has contributed to this result. However, strong control on costs has resulted in a 5.1% increase in EBITDA on last year.

Vessel repairs and maintenance expenditure was lower than the same period last year as there was no major out of water maintenance or survey works undertaken on the vessels.

Bruny Island Tasmania

Our first full year of ferry services to the community of Bruny Island in Southern Tasmania was highlighted with continued strong patronage of travel from residents, landowners and growing tourism. SeaLink improved the overall performance of the ferries, introducing more services than ever before and utilizing up to three vessels on the route in peak times.

Vehicle numbers throughout the first winter period were significantly lower than the peak, however largely as expected. Road works on Bruny Island meant freight vehicles continued to contribute positively. SeaLink continue to work with the community on improving ticketing, introducing pre-purchased ticketing as a first stage to commitments to introduce a booking system that will provide surety for travellers.

Operationally, the *MV Moongalba* has continued to work on the ferry services route and was also able to attract income through the Aquaculture industries particularly in Southern Tasmania. SeaLink undertook a major out of water survey and slipping of the Tasmanian Government owned *MV Mirambeena* providing a significant renewal plan and life extension for this vessel.

SeaLink continue to work with the Tasmanian Government to improve infrastructure at both Kettering and Roberts Point to improve vehicle flow and to secure Bruny Island's future transport requirements. SeaLink appointed a local Tasmanian ship builder to build two new vessels for the route and took delivery of the first new vessel in early February 2020.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Fraser Island

The Fraser Island resort, tour & ferry operations which were acquired in March 2018 performed well in terms of revenue with growth over the previous year of 1.3%. Total revenue was below our expectation for this period primarily due to softer than expected demand on our tours with lower visitor numbers to key catchment areas.

EBITDA for the period fell short of expectations due to lower touring revenue and increases in labour costs in areas related to the implementation of improvements in guest facing areas, including the Maheno restaurant at Kingfisher Bay Resort and refurbishment of guest rooms at both Eurong & Kingfisher Bay Resorts. We will continue to implement these upgrades throughout both Resorts as well as an additional restaurant refurbishment at Kingfisher Bay Resort in the current fiscal year.

In addition, we built and took delivery of a new adventure style vessel which commenced conducting interpretive marine tours and fast transfers from Kingfisher Bay Resort in December 2019. This new product is expected to be a significant draw card for guests in the future and will increase length of stay as well as provide additional revenue opportunities.

The upgrades to our staff accommodation at both Resorts which was completed last year combined with other engagement strategies has seen our staff retention significantly improve with staff turnover half that of the prior year.

Captain Cook Cruises

EBITDA for the Captain Cook Cruises business (NSW and WA) was particularly pleasing increasing by \$4.6m to \$5.2m for the period primarily as a result of cost reduction, profit improvement initiatives, eliminating trading losses associated with the two new ferry services that commenced in 2017/18 and improved economic conditions in Western Australia.

Captain Cook Cruises New South Wales

Whilst trading conditions in Sydney were challenging in the first half, Captain Cook Cruises NSW has performed well with EBITDA well up on 2018, despite weakened domestic demand and softening of a number of international markets in November and December 2019, due to the adverse impact of the fires and smoke around Sydney.

This success was driven through a restructure of operations including the closure and re-deployment of vessels associated with the loss making Manly / Barangaroo and Elizabeth Bay on-demand services, the negotiation of improved contractual arrangement with the government for the Lane Cove service, additional Harbour City Ferries (HCF) charter revenue, strong cost control in both food and labour, and improved marketing, on-line presence and performance.

Overall sales were up by 6% compared with the half year to December 2018. The main contributors to this were an increase of 56% in charter revenue to Harbour City Ferries (HCF), growth of 11% in sightseeing revenue and 6% in Lunch & Dining revenue.

Lunch & Dining cruises revenue improved and gross margin also increased from 26% to 29% as a result of strong cost control, carefully considered pricing strategies and tactical sales and marketing initiatives to stimulate demand.

Sightseeing and Coffee Cruises revenue was also above expectations. The success in this area was driven largely by strengthened wholesale and inbound distribution relationships particularly in the on-line distribution area.

As anticipated, with a tightening in domestic leisure spend, Sydney Charter sales decreased by 2%.

Contribution from the Hop-on Hop-off (HOHO) and fixed route ferry services increased primarily due to the closure of the Manly/Barangaroo service and demand for other HOHO services which grew at 5% throughout the period.

The closing days of December 2019 saw an excellent result for New Year's Eve despite the impact of the bushfires across the country. HCF also confirmed the dry hire of four vessels for at least the first six months of 2020.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Captain Cook Cruises Western Australia

During the period we have seen a significant turnaround for the Western Australian business with the Rottnest Island ferry business trading well above the prior year and a general improvement in the Swan River operations.

The improved trading performance has been delivered through a combination of cost rationalisation following a comprehensive review of the winter schedule for the Swan River business combined with a turnaround in the inbound tourism market into the State. Western Australia hosted three key sporting events in Perth during what is typically the low season, which saw an additional 40,000 people in the city over three months.

The Rottnest Island service also added to its ferry fleet, with the relocation of the *MV Maggie Cat* from Sydney Harbour to take advantage of the growth in the Rottnest Island market. The *MV Maggie Cat* (now *Quokka 2*) runs direct daily services from Perth CBD to Rottnest Island and is designed specifically to capture the growing tourism market staying in the CBD. In the first three months of operation, this new service has made a positive contribution to earnings after vessel relocation costs.

SeaLink Queensland

South East Queensland

The North Stradbroke Island vehicle ferry operations was above last year by 4.7% for the period. Revenue for the passenger only ferry service was up 20.2% on last year. During the period, two of the largest vehicle ferries in the fleet, the *MV Minjerrabah* and *MV Sea Breeze*, underwent their scheduled out of water slipping. Unfortunately repair costs were approximately \$0.5M above budget due to additional survey requirements and unforeseen hull repairs. This overspend will be recovered throughout the remainder of the year by eliminating non-critical work on other vessels in the fleet, without impacting the operations of those vessels.

A new Whale Watching Cruise (Yalingbila Tours) was launched in July 2019 in partnership with QYAC (Quandamooka Yoolooburrabee Aboriginal Corporation). SeaLink SEQ provided the vessel *MV Elizabeth Cook* which was relocated from Sydney. The tours created a lot of media attention for being the first Indigenous whale watching cruise in Australia.

The Redland Bay vehicle ferry revenue was down on last year mainly due to a reduced number of commercial trucks travelling to the Island. However, it is anticipated that this will increase again in the second half of the financial year due to increased roadworks on the Island. Services to TransLink and Queensland Ambulance Services (QAS) are operating in line with prior years.

The Stradbroke Island sand mining contract performed in line with expectations. Sand mining on Stradbroke Island is now due to end during the first quarter of 2020 and opportunities for the tug and barge vessel operating this service are being pursued.

SeaLink Townsville and Northern Territory

Revenue from the Townsville operations increased with strong growth in charter income as a result of some short term contract work with the United States Navy.

Passenger growth was modest and both the Palm and Magnetic Island services continue to perform well.

During the period, SeaLink Northern Territory was pleased to finalise contractual agreements to continue to operate the Mandorah and Tiwi Islands ferry services for a period of five years with a further five-year option. This brings confidence and certainty of service to our regular passengers as well as the emerging tourism market with the Tiwi Islands enjoying increased destination awareness both domestically and overseas.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Gladstone

In Gladstone, contracted operations have exceeded expectations with revenue in this sector of the business ahead of budget for the period. Although the overall result was approximately \$1.5 million lower than the prior period, this was expected as the dry lease charter arrangements for two Capricornian vessels (both sold in late FY19 for approximately \$10 million) was not replicated. A focus on operational efficiencies has seen a reduction in operating overheads.

Several wet charter opportunities have been realised with the *MV Capricornian Sunrise* engaged to support peak operational periods for the LNG industry in addition to an extended charter servicing Heron Island.

A number of significant scheduled out of water maintenance programs have been carried out during the period on the smaller 24 metre ferries servicing the LNG industry with all programs completed on time and on budget.

Dividend

On 2 January 2020, SeaLink's Directors declared a 6.5 cents per share fully franked interim dividend payable on 31 March 2020 to shareholders registered on 8 January 2020. The interim dividend for the half-year ended 31 December 2018 was 6.5 cents per share.

SeaLink's dividend policy calculated annually, is to return to shareholders between 50-70% of after-tax profit, subject to business needs and ability to pay. The Board will continue to consider SeaLink's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future dividends. The interim dividend represents a 69.0% return of underlying after-tax profit to shareholders.

Matters subsequent to the end of the financial half-year

Business Combination

On 8 October 2019, SeaLink announced it had entered into a binding agreement with Transit Systems Pty Ltd, Tower Transit Group Ltd and their broader group of entities (together the "Transit Systems Group"), to acquire 100% of the voting shares in the Transit Systems Group for an enterprise value of \$635 million, plus an earn out component of up to \$63 million. Transit Systems Group is Australia's largest private operator of metropolitan public bus services and an established international bus operator in London and Singapore.

Subsequent to balance date, SeaLink obtained control of the Transit Systems Group with cash and scrip settlement occurring on 16 January 2020. This cash settlement was funded from a combination of existing cash reserves which includes funds raised through the capital raising, the one for four accelerated non renounceable pro rata entitlement offer, and a drawdown of new multi tranche debt facilities. During the period, \$4.9 million of one off transaction related costs were expensed. Additional transaction costs relating to stamp duty, advisor fees and financing costs were incurred on settlement and will be reflected in the full year accounts for FY20.

The Transit Systems Group transaction has transformed SeaLink from an Australian based marine transport and tourism operator to Australia's leading integrated land and marine passenger transport business, with enhanced scale and capabilities to compete for large government contracts and ability to provide multi-modal solutions. The acquisition diversifies SeaLink's end-market exposure, growing contribution from resilient passenger transport activities, with an enhanced domestic footprint and scalable platform for significant international expansion with established businesses in Singapore and the United Kingdom.

Transit Systems Group operates metropolitan bus services in Perth (Swan Transit), Adelaide (Torrens Transit), Sydney (Transit Systems NSW), Victoria (Sita Group) and Darwin (Territory Transit). The globally recognised Transit Systems Group currently operates approximately 3,400 buses across 40 contracts in Australia, London and Singapore on behalf of governments and transport authorities. Transit Systems Group carries approximately 344 million passengers annually on its services. Internationally, the Group operates significant urban bus services in the Transport for London (TfL) network (Tower Transit), and in Singapore (Tower Transit Singapore) – bringing world best practice to local operations

Given the timing of the acquisition, it has been impractical to complete the initial accounting for the business combination. As such SeaLink cannot make disclosures relating to the fair value of assets and liabilities acquired and the contribution of any intangible assets including goodwill. As the acquisition date is after 31 December 2019, there has not been any contribution of revenue or profit of the Transit Systems Group recorded for the period.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Since 31 December 2019, our Kangaroo Island businesses have been hit by devastating bushfires affecting approximately 50% of the Island including the loss of the majority of our Vivonne Bay Lodge property. Although our freight services have seen near record levels, our tourism and visitor market has been hit hard. We see a short term (6 months) degradation of the visitor market, which based on previous experience, should recover once winter arrives and the regeneration of the natural environment commences.

Our Vivonne Bay Lodge property was insured and we plan to rebuild the property and take this opportunity to align designs with current and future market demands and environmental considerations, making it environmentally friendly and sustainable. The current accommodation and lunches for day tour operations have been moved to a new location allowing us to continue our touring operations. We have been proactive in assisting locals affected by the fires and developing an attractive tourism promotion campaign that is seeing strong interest across the Island.

More recently the novel coronavirus is also affecting sales, particularly in our international tourism businesses, particularly Sydney Harbour. Of greatest concern is the lack of clarity regarding the extent and duration of the virus's impacts. We continue to closely monitor all information the Australian Government publishes to ensure we proactively react to this for the best outcome for our own staff and customers.

We do take this opportunity to note, that following the Transit Systems Group in January 2020, approximately 85% of our income is contracted government income. Of our tourism business, approximately 20% of our Group sales are international visitors of which the Chinese visitor market is less than 1% of total Group sales.

Significant changes in the state of affairs

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

Outlook

Across the Tourism and Marine business, we are experiencing a more volatile business environment as a result of the recent devastating bushfires across Australia, in particular throughout New South Wales and Kangaroo Island and more recently from the novel coronavirus outbreak in China. We are monitoring the novel coronavirus situation very closely, and it is too early to evaluate the full impact on business performance as it will depend on how long the outbreak lasts and how wide it spreads. The full impact of both the bushfires and coronavirus is unknown, but it will have an impact for the year on the Tourism and Marine business.

It is important to note that the recently acquired Transit Systems Group business is not impacted by either bushfires or coronavirus.

We have and will continue to take mitigating actions to offset the negatives across all parts of the business.

Rounding

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 9.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



A J McEvoy
DIRECTOR

Sydney
Date: 25 February 2020



**Building a better
working world**

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

As lead auditor for the review of the half-year financial report of SeaLink Travel Group Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst + Young

Ernst & Young

A handwritten signature in black ink, appearing to be 'David Sanders', written over a horizontal line.

David Sanders
Partner
Adelaide
25 February 2020

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$'000	2018 \$'000
Continuing Operations			
Revenue from contracts with customers		132,852	127,175
Interest income		186	13
Other income		998	1,320
Total income		<u>134,036</u>	<u>128,508</u>
Direct Operating Expenses-			
Direct wages		40,391	37,601
Repairs and maintenance		9,012	7,185
Fuel		6,569	6,768
Commission		6,678	6,342
Meals and beverage		7,381	7,525
Accommodation		268	225
Tour costs		6,332	5,770
Depreciation		7,089	6,895
Other direct expenses		6,487	7,014
Administration Expenses-			
Indirect wages		13,446	12,962
General and administration		6,777	8,603
Marketing and selling		2,703	2,804
Depreciation - ROU asset	4B	1,688	-
Financing charges		1,905	2,199
Amortisation of customer contracts and permits		938	1,007
Business acquisition expenses		4,886	114
Total Expenses		<u>122,550</u>	<u>113,014</u>
Profit before tax from continuing operations		11,486	15,494
Income tax expense	1A	<u>2,753</u>	<u>2,518</u>
Profit for the half year from continuing operations		<u><u>8,733</u></u>	<u><u>12,976</u></u>
 Attributable to equity holders of the parent		 <u><u>8,733</u></u>	 <u><u>12,976</u></u>
Earnings per share-			
Basic profit for the period attributable to ordinary equity holders of the parent		\$ 0.073	\$ 0.128
Diluted profit for the period attributable to ordinary equity holders of the parent		\$ 0.073	\$ 0.128

Notes to and forming part of the financial statements are included on Pages 15 to 23.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME ("OCI")

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$'000	2018 \$'000
Profit for the half year		8,733	12,976
Other comprehensive income			
Net (loss) / gain on cash flow hedge (interest rate swap)		243	(634)
Deferred tax	1A	<u>(73)</u>	<u>190</u>
Net other comprehensive (loss)/gain to be reclassified to Profit & Loss in subsequent financial periods		170	(444)
Total comprehensive income for the half year, net of tax		<u>8,903</u>	<u>12,532</u>
Attributable to equity holders of the parent		<u>8,903</u>	<u>12,532</u>

Notes to and forming part of the financial statements are included on Pages 15 to 23.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

	Note	31 DECEMBER 2019 \$'000	30 JUNE 2019 \$'000
CURRENT ASSETS			
Cash and cash equivalents	2A	68,300	11,904
Trade and other receivables		15,844	12,355
Inventories		5,198	4,921
Current tax asset		670	5,684
Prepayments		2,722	4,263
TOTAL CURRENT ASSETS		92,734	39,127
NON-CURRENT ASSETS			
Property, plant and equipment	4B	221,908	201,396
Intangible assets	2C	52,444	53,383
Other financial assets		1,637	1,637
Deferred tax assets		11,573	5,936
TOTAL NON-CURRENT ASSETS		287,562	262,352
TOTAL ASSETS		380,296	301,479
CURRENT LIABILITIES			
Trade and other payables		19,251	13,578
Contract and other liabilities		6,777	7,684
Lease liability		4,188	822
Interest-bearing loans and borrowings	2D	-	-
Other financial liabilities	2D	815	943
Provisions		11,093	11,027
TOTAL CURRENT LIABILITIES		42,124	34,054
NON-CURRENT LIABILITIES			
Contract and other liabilities		548	776
Lease liability		11,866	2,457
Interest-bearing loans and borrowings	2D	-	92,500
Deferred tax liabilities		13,261	9,132
Other financial liabilities	2D	2,717	2,832
Provisions		2,028	1,813
TOTAL NON-CURRENT LIABILITIES		30,420	109,510
TOTAL LIABILITIES		72,544	143,564
NET ASSETS		307,752	157,915
EQUITY			
Contributed equity	3A	245,567	96,057
Reserves		(1,485)	(1,700)
Retained earnings		63,670	63,558
TOTAL EQUITY		307,752	157,915

Notes to and forming part of the financial statements are included on Pages 15 to 23.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

<u>Consolidated</u>	Note	CONTRIBUTED EQUITY \$'000	RETAINED EARNINGS \$'000	CASH FLOW HEDGE RESERVE \$'000	SHARE OPTION RESERVE \$'000	TOTAL \$'000
Balance at 1 July 2018		95,557	56,701	(831)	795	152,222
Profit for the period		-	12,976	-	-	12,976
Other comprehensive income		-	-	(444)	-	(444)
Total comprehensive income for the period		-	12,976	(444)	-	12,532
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	3B	-	(8,092)	-	-	(8,092)
Issue of share capital	3A	500	-	-	-	500
Issue of share options		-	-	-	74	74
Balance at 31 December 2018		96,057	61,585	(1,275)	869	157,236
Balance at 1 July 2019		96,057	63,558	(2,643)	943	157,915
Profit for the period		-	8,733	-	-	8,733
Other comprehensive income		-	-	170	-	170
Total comprehensive income for the period		-	8,733	170	-	8,903
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	3B	-	(8,621)	-	-	(8,621)
Issue of share capital	3A	149,510	-	-	-	149,510
Issue of share options		-	-	-	45	45
Balance at 31 December 2019		245,567	63,670	(2,473)	988	307,752

Notes to and forming part of the financial statements are included on Pages 15 to 23.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		129,527	128,362
Payments to suppliers and employees		(103,669)	(98,996)
Interest received		186	13
Interest paid		(1,639)	(2,156)
Income tax paid		2,604	1,670
<i>Net operating cash flows</i>		<u>27,008</u>	<u>28,893</u>
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment	2B	<u>1,496</u>	<u>2,115</u>
		1,496	2,115
Cash was disbursed to:			
Payments for property, plant and equipment	2B	(16,431)	(10,832)
Acquisition of new businesses (net of cash acquired)		-	-
		<u>(16,431)</u>	<u>(10,832)</u>
<i>Net investing cash flows</i>		<u>(14,935)</u>	<u>(8,717)</u>
Cash flows from financing activities			
Proceeds from issue of shares	3A	147,587	500
Interest paid on lease liabilities		(266)	(43)
Principle paid on lease liabilities		(1,877)	(731)
Repayment of borrowings		(92,500)	(50)
Dividend paid	3B	<u>(8,621)</u>	<u>(8,092)</u>
<i>Net financing cash flows</i>		<u>44,323</u>	<u>(8,416)</u>
Net increase / (decrease) in cash held		56,396	11,760
Cash and cash equivalents at 1 July		<u>11,904</u>	<u>3,242</u>
Cash and cash equivalents at 31 December	2A	<u><u>68,300</u></u>	<u><u>15,002</u></u>

Notes to and forming part of the financial statements are included on Pages 15 to 23.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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

1A TAX EXPENSE

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

The major components of income tax expense for the half year ended 31 December 2019 and 2018 are:

	2019 \$'000	2018 \$'000
Consolidated statement of profit and loss		
Current tax	2,408	2,942
Deferred tax	344	(424)
Under/(over) provision in respect of prior years plus adjustments	1	-
Income tax expense reported in the income statement	2,753	2,518
Consolidated statement of OCI		
Deferred tax related to items recognised and charged in OCI during the year:		
Tax on net profit on revaluation of cash flow hedges	(73)	190

1B REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Segments	2019 \$'000	2018 \$'000
Timing of Revenue Recognition		
Goods transferred at a point in time	134,036	128,508
Services transferred over time	-	-
Total	134,036	128,508

1C OPERATING SEGMENT REPORTING

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

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

- SeaLink South Australia & Tasmania ("SA"), includes ferry services, tours in South Australia, packaged holidays, retail travel services, accommodation facilities at Vivonne Bay and accommodated cruising on the Murray River. It also includes the ferry services to Bruny Island in Tasmania;
- Captain Cook Cruises ("CCC") operates tourist cruises, lunch, dinner and charter cruises and ferry passenger services on Sydney Harbour and in Perth;
- SeaLink Queensland ("QLD") includes ferry and barging operations throughout Queensland and the Northern Territory. This unit provides ferry passenger services as well as offering packaged holidays;
- SeaLink Fraser Island ("Fraser Island") offers ferry services, tours on Fraser Island, retail outlets for fuel, food and alcohol, accommodation facilities at Kingfisher Bay Resort and Eurong Beach Resort; and
- Corporate (Head Office), provides finance, administration, information technology, human resources, safety 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.

Half year ended 31 December 2019

	SA \$'000	CCC \$'000	QLD \$'000	Fraser Island \$'000	Corporate \$'000	Eliminations \$'000	Consolidated \$'000
Internal revenue	3,575	590	465	-	1,417	(6,047)	-
External Revenue	32,505	29,796	39,950	31,559	225	-	134,036
Results							
Capital expenditure	9,883	3,040	714	2,759	35	-	16,431
Amortisation of customer contracts	-	78	702	158	-	-	938
Depreciation	2,056	2,239	2,736	1,673	75	-	8,778
Segment profit before interest and allocations - continuing operations	8,607	2,907	9,065	3,126	(10,500)	-	13,205
Corporate allocations	(2,395)	(1,144)	(1,611)	(464)	5,614	-	-
Segment profit before interest and tax - continuing	6,212	1,763	7,454	2,662	(4,886)	-	13,205
Interest income							186
Interest cost and finance charges							(1,905)
Segment profit before tax - continuing operations							11,486

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

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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

1C OPERATING SEGMENT REPORTING (CONT)

Half year ended 31 December 2018

	SA \$'000	CCC \$'000	QLD \$'000	Fraser Island \$'000	Corporate \$'000	Eliminations \$'000	Consolidated \$'000
Internal revenue	2,497	1,273	495	-	845	(5,110)	-
External revenue	32,965	26,358	39,930	29,242	13	-	128,508
Results							
Capital expenditure	4,055	2,934	1,471	1,840	532	-	10,832
Amortisation of customer contracts	-	78	702	227	-	-	1,007
Depreciation	1,513	1,242	2,770	1,341	29	-	6,895
Segment profit before interest and allocations - continuing operations	8,009	(670)	11,241	3,838	(4,738)	-	17,680
Corporate allocations	(2,175)	(786)	(1,339)	(438)	4,738	-	-
Segment profit before interest and tax - continuing	5,834	(1,456)	9,902	3,400	-	-	17,680
Interest income							13
Interest cost and finance charges							(2,199)
Segment profit before tax - continuing operations							15,494

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

	SA \$'000	CCC \$'000	QLD \$'000	Fraser Island \$'000	Corporate \$'000	Eliminations \$'000	Consolidated \$'000
At 31 December 2019							
Operating assets	116,773	68,808	125,372	56,635	465	-	368,053
Operating liabilities	24,517	17,352	9,667	7,747	-	-	59,283
At 30 June 2019							
Operating assets	52,576	51,929	131,530	53,130	694	-	289,859
Operating liabilities	112,167	7,933	7,819	6,512	-	-	134,431

Reconciliation of assets and liabilities

	31 DECEMBER 2019 \$'000	30 JUNE 2019 \$'000
Segment operating assets	368,053	289,859
Deferred tax assets	11,573	5,936
Current tax asset	670	5,684
Group total assets	<u>380,296</u>	<u>301,479</u>
Segment operating liabilities	59,283	134,431
Current tax liabilities	-	-
Deferred tax liabilities	13,261	9,132
Group total liabilities	<u>72,544</u>	<u>143,563</u>

1D SEASONALITY OF RESULTS

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

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

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

SECTION 2: KEY NUMBERS - STATEMENT OF FINANCIAL POSITION

2A CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

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

	31 DECEMBER 2019	30 JUNE 2019
	\$'000	\$'000
Cash	5,278	6,167
Cash on deposit	63,022	5,737
Total cash and cash equivalents	<u>68,300</u>	<u>11,904</u>

2B PROPERTY, PLANT AND EQUIPMENT

Acquisitions and Disposals

During the six months ended 31 December 2019, the Group acquired assets with a cost of \$16,431,000 (2018: \$10,832,000).

Assets with a net book value of \$1,793,000 were disposed of by the Group during the six months ended 31 December 2019 (2018: \$2,005,000) resulting in a net loss on disposal of \$297,000 (2018 profit: \$110,000).

Work in progress as at 31 December 2019 was \$18,779,000 (2018: \$2,392,000).

2C GOODWILL / IMPAIRMENTS

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

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

The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 30 June 2019.

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

2D FINANCIAL INSTRUMENTS

Other Financial Assets

Represents the investment in UWAI Limited.

On 19 March 2018, SeaLink entered into a Simple Agreement for Future Equity ("SAFE") with UWAI Limited for USD\$2.5m.

The SAFE contains a debt contract with an option to convert to equity. The investment was impaired at 30 June 2019 based on fair market valuation. The fair value hierarchy is Level 3 for the investment, as there are significant unobservable inputs.

Fair value as at December is 2019 \$1,637,000 (December 2018 \$3,274,000).

Interest-bearing loans and borrowings have a fair value of \$2,925 (2018: \$107,759,000) and a carrying value of \$2,927 (2018:\$107,756,000).

Borrowing and repayment of debt

During the six month period, interest-bearing borrowings of \$92,852,000 were repaid from cash raised through cash flow from operations and proceeds from issue of shares.

Cash flow hedge for interest rate risk

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

The fair value adjustment required was assessed as material and as such, the gross difference of \$3,532,000 (2018: \$1,821,000) was recorded as a financial liability with the associated tax effect forming part of Deferred Tax Asset. The net difference in movement of \$170,000 (2018: \$444,000) is shown through the statement of other comprehensive income. The fair value of the interest rate swap at 31 December 2019 is \$2,756,000, which has been disclosed in the Statement of Financial Position as Other Financial Liabilities.

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

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

SECTION 3: CAPITAL

3A EQUITY

	Contributed Equity		No. of Shares on Issue	
	For the half year ended		For the half year ended	
	2019	2018	2019	2018
	\$'000	\$'000	'000	'000
Issued and fully paid ordinary shares (all issued shares fully paid)-				
Opening balance	96,057	95,557	101,429	101,154
Conversion of Options	-	500	100	200
Costs relating to the Issue of shares through Capital raising	(4,490)	-	-	-
Issue of shares through Capital raising	154,000	-	44,000	-
Issue of shares through Performance Rights Issue	-	-	-	75
Deferred tax associated with share issue expenses	-	-	-	-
Total	245,567	96,057	145,529	101,429

During the half year, 44,000,000 shares were issued at \$3.50 per share pursuant to a capital raising undertaken by the Company. In addition 100,000 options were converted at zero cost.

3B DIVIDENDS

	2019	2018
	\$'000	\$'000
<i>Dividends on ordinary shares declared and paid during the six month period:</i>		
Final dividend for 2019: 8.5 cents (2018: 8.0 cents)	8,621	8,092
<i>Dividends on ordinary shares proposed for approval (not recognised as a liability as at 31 December):</i>		
Interim dividend for 2019: 6.5 cents (2018: 6.5 cents)	9,459	6,593

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

SECTION 4: ACCOUNTING POLICIES

4A BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 June 2019.

4B CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019 except for the adoption of new standard AASB 16 Leases, effective 1 July 2019.

For the half year ended 31 December 2019, the Group applies, for the first time AASB 16 Leases which replaced AASB 117 and replaces Interpretation 4 Determining whether an Arrangement contains a Lease. The impact on the Group's financial statements as at 30 June 2019 is to recognise a right of use asset (ROUA) of \$14,652,000 and lease liability \$14,652,000.

The impact on the interim condensed consolidated financial statements for the six months ended 31 December 2019 are as follows:

	For the half year ended December 2019 \$'000
Impact of AASB 16 on Consolidated Statement of Profit and Loss	
Lease related depreciation	1,688
Lease related interest	231
Deferred tax asset	<u>49</u>
Impact on Consolidated Statement of Financial Position	
Right of use asset	12,964
Lease liability	(13,127)
Deferred tax asset	<u>49</u>
Reconciliation onto Consolidated Statement of Financial Performance	Movement
Operating lease commitments at 30 June 2019	16,085
Impact of discounting at the incremental borrowings rate	(1,359)
Lease assets that are not recognised as lease liabilities under AASB 16 (low value and short term)	(74)
Additional lease liabilities recognised on adoption of AASB 16 at 1 July 2019	-
Carrying value of existing finance leases at 30 June 2019	<u>3,279</u>
Balance of lease liabilities at 1 July 2019	<u><u>17,931</u></u>

Below the movement tables include leases that had previously been treated as finance lease assets and leases.

	ROUA
ROUA movement 1 July to 31 December 2019	
As at 1 July 2019	17,065
Depreciation	(1,845)
As at 31 December 2019	<u><u>15,220</u></u>
Lease Liabilities Movement 1 July to 31 December 2019	Lease Liability
As at 1 July 2019	17,931
Lease related interest	266
Lease payments	(2,143)
As at 31 December 2019	<u><u>16,054</u></u>

When measuring the lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using its estimate for an incremental borrowing rate. At 1 July 2019 the rate applied was 3.3%.

For the half year ended 31 December 2019, \$67,000 in expenses have been recognised in the Statement of Profit and Loss for lease arrangements that have been classified as a short-term lease. A further \$7,000 will be expensed in the period ending 30 June 2020.

The Group elected to apply the following transition provisions:

1. Exemption for lease arrangements with a short remaining term less than 12 months from the date of initial application;
2. Exemption for lease arrangements where the value of the underlying leased asset is deemed to be low-value; and
3. Use of hindsight with regards to determination of the lease term.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

SECTION 4: ACCOUNTING POLICIES

4B CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

<i>Reference</i>	<i>Title</i>	<i>Summary</i>	<i>Application</i>
AASB 16	Leases	<p>Nature of the effect of adoption of AASB 16</p> <p>The Group has lease contracts for various items of Rental agreements and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term.</p> <p>Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application with the election of the option to retrospectively measure the ROUA using a transition discount rate. Accordingly, the comparative information in this interim condensed consolidated financial statements has not been restated.</p> <p>Summary of new accounting policies</p> <p>Set out below are the new accounting policies of the Group upon adoption of AASB 16:</p> <p>Right-of-use assets</p> <p>The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.</p> <p>Lease liabilities</p> <p>At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.</p> <p>In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.</p>	1 July 2019

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

SECTION 4: ACCOUNTING POLICIES

4B CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

SECTION 5: UNRECOGNISED ITEMS

5A CAPITAL COMMITMENTS

For the half year ended

2019 2018
\$'000 \$'000

Vessels	14,498	16,107	
Buses	1,595	-	
Other	291	-	
Total	16,384	16,107	

5B CONTINGENCIES

There were no material contingent assets or liabilities noted as at 31 December 2019 (2018: Nil).

5C EVENTS REPORTED AFTER THE REPORTING PERIOD

Business Combination

On 8 October 2019, SeaLink announced it had entered into a binding agreement with Transit Systems Pty Ltd, Tower Transit Group Ltd and their broader group of entities (including trusts) (together the "Transit Systems Group"), to acquire 100% of the voting shares in the Transit Systems Group for an enterprise value of \$635 million, plus an earn out component of up to \$63 million based on Transit Systems Group FY20 pro forma normalised EBITDA (sliding scale from \$A79 million to A\$86 million), paid in three equal instalments over three years. Transit Systems Group is Australia's largest private operator of metropolitan public bus services and an established international bus operator in London and Singapore.

Subsequent to balance date, SeaLink obtained control of the Transit Systems Group with a cash and scrip settlement occurring on 16 January 2020. The cash settlement was funded from a combination of existing cash reserves which includes funds raised through the capital raising, the one for four accelerated non renounceable pro rata entitlement offer, and a draw down of new debt facilities. During the period, \$4.9 million of transaction related costs were expensed. Costs of \$4.5 million associated with the capital raising has been adjusted on an after tax basis against equity. Additional transaction costs relating to stamp duty, advisor fees and financing costs were incurred on settlement and will be reflected in the full year accounts for FY20.

The Transit Systems Group transaction has transformed SeaLink from an Australian based marine transport and tourism operator to Australia's leading integrated land and marine passenger transport business, with enhanced scale and capabilities to compete for large government contracts and ability to provide multi-modal solutions. The acquisition diversifies SeaLink's end-market exposure, growing contribution from resilient passenger transport contracts, with an enhanced domestic footprint and scalable platform for significant international expansion with established businesses in Singapore and the United Kingdom.

Transit Systems Group operates metropolitan bus services in Perth (Swan Transit), Adelaide (Torrens Transit), Sydney (Transit Systems NSW), Victoria (Sita Group) and Darwin (Territory Transit). The globally recognised Transit Systems Group currently operates approximately 3,400 buses across 40 contracts in Australia, London and Singapore on behalf of governments and transport authorities. Transit Systems Group carries approximately 344 million passengers annually on its services. Internationally, the Transit Systems Group operates significant urban bus services in the Transport for London (TfL) network (Tower Transit), and in Singapore (Tower Transit Singapore) – bringing world best practice to local operations.

Assets acquired and liabilities assumed.

Given the timing of the acquisition, it has been impracticable to complete the initial accounting for the business combination. As such SeaLink can not make disclosures relating to the fair value of assets and liabilities acquired and the contribution of any intangible assets including goodwill. As the acquisition date is after 31 December 2019, there has not been any contribution of revenue or profit of the Transit Systems Group recorded for the period.

SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

SECTION 5: UNRECOGNISED ITEMS (continued)

Interim Dividend

A fully franked dividend of \$9.459m representing 6.5 cents per share based on the current number of ordinary shares was declared by the Directors on 2 January 2020 to be paid 31 March 2020.

Subsequent Events

During the recent bushfires on Kangaroo Island in January 2020, the SeaLink owned Vivonne Bay Lodge was mostly destroyed by these fires. SeaLink carries appropriate insurance for the Vivonne Bay property and it is SeaLink's intention to re-build this property. SeaLink has access to alternative sites from which it can operate its catering operations and tours on Kangaroo Island, and the damage to Vivonne Bay Lodge will not have a material impact on SeaLink Group earnings in the second half.

Across the Tourism and Marine business, we are experiencing a more volatile business environment as a result of the recent devastating bushfires across Australia, in particular throughout New South Wales and Kangaroo Island and more recently from the novel coronavirus outbreak in China. We are monitoring the coronavirus situation very closely, and it is too early to evaluate the full impact on business performance as it will depend on how long the outbreak lasts and how wide it spreads. The full impact of both the bushfires and coronavirus is unknown, but it will have an impact for the year. We have and will continue to take mitigating actions to offset the negatives across all parts of the business.

Other than the completion of the Transit Systems Group transaction and matter described above, there has not been in the period since 31 December 2019 and up to the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of SeaLink in subsequent financial years.

SECTION 6: OTHER

6A CORPORATE INFORMATION

The interim consolidated financial statements of the Group for the six months year ended 31 December 2019 were authorised for issue in accordance with a resolution of Directors on 25 February 2020.

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

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

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

6B SHARE OPTIONS AND PERFORMANCE RIGHTS

Employee Performance Rights

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

During the period, 160,000 performance rights which were issued in October 2016 to the Managing Director, Mr Jeffrey Ellison lapsed as the performance hurdles were not met.

Employee Share Options

During the period 100,000 zero priced options which were issued in October 2016 to the Chairman, Mr Andrew McEvoy vested as the performance criteria was met.

The amount recognised as an expense is only adjusted when performance rights do not vest due to non-market-related conditions. For the six months ended 31 December 2019, the Group recognised \$45,000 of share-based payments expense (2018: \$74,000).

6C RELATED PARTY TRANSACTIONS

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

- Purchases and services totalling \$7,581 from Vectra Corporation Ltd, a company associated with Mr C Smerdon (2018: \$8,516);
- Purchases and services totalling \$19,074 from Pacific Marine Group Pty Ltd a company associated with Mr T Dodd (2018: \$nil).

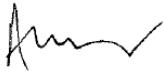
SEALINK TRAVEL GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



SeaLink Travel Group Limited
Andrew McEvoy
Chair
25 February, 2020



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of SeaLink Travel Group Limited and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2019, the statement of profit and loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



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Independence

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

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A handwritten signature in black ink, appearing to read 'David Sanders', written over a faint, stylized graphic element that resembles a large, thin 'S' or a similar shape.

David Sanders
Partner
Adelaide
25 February 2020