

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT

The Board of Directors of Sealink Travel Group Ltd has pleasure in submitting its report in respect of the financial year ended 30 June 2011.

Directors

The names of the directors in office at the date of this report and during the year are: -

FA Mann	CD Smerdon
BJ Mayfield	A Russo
GM Ursini	J R Ellison
	W Spurr
	T Dodd (appointed 28 th March, 2011).

Directors have been in office for the entire year unless otherwise stated.

Review of Operations

The Company's result in 2011 was negatively affected by reduced overseas visitors to Australia which was driven by a combination of the strong Australian dollar as well as struggling economies in key overseas markets. Additionally, some key packages sold through our retail network were not available through 2011 and were not replaced with other products generating similar margins.

Although revenue increased by 7.2% as a result of the full year affect of Kangaroo Island Odysseys (acquired in June 2010) and the acquisition of the Sunferries business, higher costs driven by fuel and vessel maintenance saw the overall net profit decrease during 2011.

Cashflow remained strong for the year and as a result of realigning the dividend timing to match that of a public company, the Group paid an additional dividend of \$900,000 in April 2011.

Results

The net consolidated operating profit of the economic entity for the financial year after income tax was \$5,533,079 (2010: \$6,296,010).

Principal Activities

The principal activities of the economic entity constituted by the Company and its controlled entities, during the course of the year were ferry and tour operators, wholesale and retail travel agency and landholding. Apart from the acquisition of Sunferries Group Pty Ltd, a ferry transport business operating in Townsville, Queensland, there was no significant change in the nature of those activities during the financial year.

Future Developments

The Company is aiming to maintain net profit for the coming year, as a result of cost control, tight ferry scheduling and fine tuning the product offering.

Dividends

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

	On ordinary shares
Interim fully franked dividend for 2011 paid 15 April 2011.	\$900,000
Interim fully franked dividend for 2011 and paid 15 January 2011.	\$1,800,000
Dividend as recommended and declared by the directors 19 May 2010 and paid 1 July 2010	\$1,800,000

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

Indemnification of Officers and Auditors

During the financial year, the Company renewed a contract insuring the directors of the Company (as named above), the Chief Executive Officer, Mr J R Ellison, 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 (with the exception of Mr. T. Dodd), referred to in this report who held office during the year and certain Senior Executives 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 2011 under the Deeds of Indemnity.

Significant changes in the State of Affairs

Apart from the acquisition of Sunferries Group Pty Ltd, a ferry transport business operating in Townsville, Queensland there have been no significant changes in the state of affairs of the economic entity during the year.

Significant Events after Balance Date

On 22 July, 2011, Sealink Travel Group entered into a sale agreement to purchase the business of Captain Cook Cruises, a major tourism and ferry operator. The acquisition will be 100% funded by debt and will involve purchasing 15 vessels along with the Neutral Bay marina, as well as other items of plant and equipment. The Captain Cook Fiji business will not form part of the business acquisition.

On 15 August, 2011 the business of Skylink, an airport shuttle service, was sold to Smart Car for a consideration of \$160,000.

On 15 September, 2011, the Company entered into an agreement to sell its shares in Sealink New Zealand Limited for an agreed amount which is confidential. Settlement is targeted to occur on 30th September but is subject to certain conditions being met. These conditions remain outstanding at the date of the signing of this report.

Apart from the above, no events have occurred subsequent to year end (other than those events whose financial effects have already been brought to account) which would, in the absence of disclosure, cause the financial report to be misleading.

Options

There were no options issued during the year.

Other

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

No options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial year.

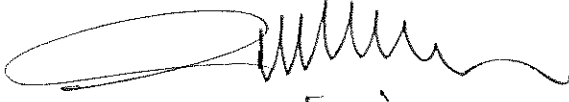
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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

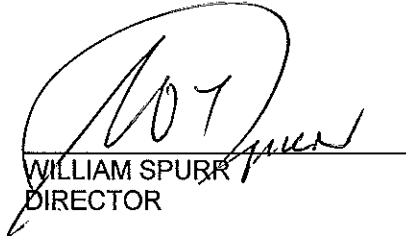
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

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



GIULIANO URSINI
DIRECTOR



WILLIAM SPURR
DIRECTOR

Adelaide
Date: 21 September 2011

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2011

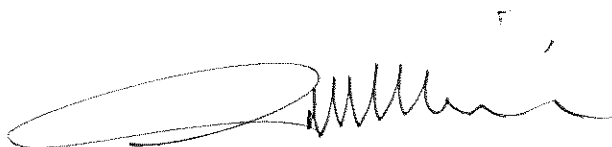
In accordance with a resolution of the directors of SeaLink Travel Group Ltd, the directors state that:

1. In the opinion of the directors:

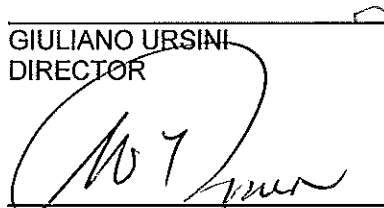
- a) The financial statements and notes of the SeaLink Travel Group Ltd for the financial year ended 30 June 2011 are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of its financial position as at 30 June 2011 and performance; and
 - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.
- c) 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 in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

On behalf of the Board



GIULIANO URSINI
DIRECTOR



WILLIAM SPURR
DIRECTOR

Adelaide

Date: 21 September 2011

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 30 JUNE 2011 \$	30 JUNE 2010 \$
Continuing Operations			
Revenue	2 (a)	63,977,910	59,688,041
Other income	2 (b)	<u>990,268</u>	<u>1,711,966</u>
Total income		64,968,178	61,400,007
Direct operating expenses		(45,088,271)	(40,569,409)
Administrative expenses		(8,836,523)	(8,225,077)
Marketing and sales expenses		(2,240,495)	(2,042,882)
Finance costs	2 (c)	(868,425)	(709,647)
Share option expense		<u>(75,441)</u>	<u>(378,080)</u>
Total expenses		(57,109,155)	(51,925,095)
Profit before income tax expense		7,859,023	9,474,912
Income tax expense	3	<u>(2,325,944)</u>	<u>(3,178,902)</u>
Profit after related income tax expense		<u><u>5,533,079</u></u>	<u><u>6,296,010</u></u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>5,533,079</u></u>	<u><u>6,296,010</u></u>
Profit for the period is attributable to:			
Non-controlling interest		(31,519)	(1,676)
Owners of the parent		<u><u>5,564,598</u></u>	<u><u>6,297,686</u></u>
Total Comprehensive income for the period is attributable to:			
Non-controlling interest		(31,519)	(1,676)
Owners of the parent		<u><u>5,564,598</u></u>	<u><u>6,297,686</u></u>

Notes to and forming part of the financial statements are included on Pages 9 to 29

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Consolidated	
		30 JUNE 2011	30 JUNE 2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	18(a)	966,042	1,171,601
Trade and other receivables	4	1,914,225	1,399,552
Inventories	5	301,867	240,361
Prepayments	6	<u>1,041,279</u>	<u>690,597</u>
TOTAL CURRENT ASSETS		<u>4,223,413</u>	<u>3,502,111</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	38,288,592	30,091,800
Intangible assets	9	6,801,211	380,819
Deferred tax assets	3	<u>777,982</u>	<u>643,457</u>
TOTAL NON-CURRENT ASSETS		<u>45,867,785</u>	<u>31,116,076</u>
TOTAL ASSETS		<u>50,091,198</u>	<u>34,618,187</u>
CURRENT LIABILITIES			
Trade and other payables	10	5,574,813	6,036,344
Interest bearing loans and borrowings	11	2,544,664	1,485,443
Current tax liabilities		286,632	1,416,150
Provisions	12	<u>1,959,070</u>	<u>3,540,336</u>
TOTAL CURRENT LIABILITIES		<u>10,365,179</u>	<u>12,478,273</u>
NON-CURRENT LIABILITIES			
Trade and other payables	13	278,844	294,494
Interest bearing loans and borrowings	14	17,002,376	8,330,453
Deferred tax liabilities	3	1,520,029	1,359,769
Provisions	15	<u>400,890</u>	<u>315,334</u>
TOTAL NON-CURRENT LIABILITIES		<u>19,202,139</u>	<u>10,300,050</u>
TOTAL LIABILITIES		<u>29,567,318</u>	<u>22,778,323</u>
NET ASSETS		<u>20,523,880</u>	<u>11,839,864</u>
EQUITY			
Contributed equity	16	8,751,000	2,751,000
Reserves	26	84,697	233,760
Retained earnings		<u>11,546,680</u>	<u>8,682,082</u>
Parent interests		20,382,377	11,666,842
Non-controlling interests	27	<u>141,503</u>	<u>173,022</u>
TOTAL EQUITY		<u>20,523,880</u>	<u>11,839,864</u>

Notes to and forming part of the financial statements are included on Pages 9 to 29

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

<u>Consolidated</u>	Note	NON- CONTROLLING INTEREST	CONTRIBUTED EQUITY	RETAINED EARNINGS	RESERVES	TOTAL
		\$	\$	\$	\$	\$
Balance at 1st July, 2009		174,698	2,751,000	9,684,396	(206,318)	12,403,776
Profit for the period		(1,676)	-	6,297,686	-	6,296,010
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		(1,676)	-	6,297,686	-	6,296,010
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	28	-	-	(7,300,000)	-	(7,300,000)
Translation of foreign currency operations	26	-	-	-	61,998	61,998
Share options issued	29	-	-	-	378,080	378,080
Balance at 30th June, 2010		173,022	2,751,000	8,682,082	233,760	11,839,864
Profit for the period		(31,519)	-	5,564,598	-	5,533,079
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		(31,519)	-	5,564,598	-	5,533,079
Issue of Capital	16		6,000,000			6,000,000
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	28	-	-	(2,700,000)	-	(2,700,000)
Translation of foreign currency operations	26	-	-	-	(224,504)	(224,504)
Share options expense	29	-	-	-	75,441	75,441
Balance at 30th June, 2011		141,503	8,751,000	11,546,680	84,697	20,523,880

Notes to and forming part of the financial statements are included on Pages 9 to 29

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 30 JUNE 2011 \$	30 JUNE 2010 \$
Cash flows from operating activities			
Receipts from customers		64,502,685	61,069,999
Payments to suppliers and employees		(52,601,960)	(45,622,203)
Net GST paid		(1,818,881)	(1,593,440)
Interest received		27,264	29,459
Interest paid		(868,425)	(709,647)
Income tax paid		<u>(3,369,327)</u>	<u>(2,506,118)</u>
Net operating cash flows	18(b)	<u>5,871,356</u>	<u>10,668,050</u>
Cash flows from investing activities			
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		<u>49,318</u>	<u>281,352</u>
		<u>49,318</u>	<u>281,352</u>
Cash was disbursed to:			
Payments for property, plant and equipment		(3,467,336)	(2,333,941)
Net business assets purchased	30	<u>(4,028,881)</u>	<u>(793,371)</u>
		<u>(7,496,217)</u>	<u>(3,127,312)</u>
Net investing cash flows		<u>(7,446,899)</u>	<u>(2,845,960)</u>
Cash flows from financing activities			
Proceeds from borrowings		6,195,164	430,013
Repayment of borrowings		(753,219)	(1,099,385)
Dividend paid		<u>(4,500,000)</u>	<u>(7,000,000)</u>
Net financing cash flows		<u>941,945</u>	<u>(7,669,372)</u>
Net (decrease)/increase in cash held		(633,598)	152,718
Foreign exchange adjustment		(4,161)	(150,746)
Cash at the beginning of the financial year		<u>768,266</u>	<u>766,294</u>
Cash at the end of the financial year	18(a)	<u>130,507</u>	<u>768,266</u>

Notes to and forming part of the financial statements are included on Pages 9 to 29

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Statement of Significant Accounting Policies:

Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

Where necessary, the figures for the previous year have been re-classified to facilitate comparison.

The financial report is prepared in Australian dollars and has been approved for issue on 21st September, 2011.

Statement of Compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2011. These are outlined in the following table.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other	1 January 2011	No change to existing reporting. No financial effect anticipated.	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	No change expected. Reporting effect only.	1 July 2011

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. Statement of Significant Accounting Policies (cont):

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities Public sector entities other than the Australian Government and State, Territory and Local Governments	1 July 2013	Entity likely to be a Tier 1 and report accordingly.	1 July 2013
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the Joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	No change expected.	1 July 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	No change expected.	1 July 2011

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2. Statement of Significant Accounting Policies (cont):

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	No change expected.	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	No change expected.	1 July 2013
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	No change expected.	1 July 2011
AASB 12	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	No change expected.	1 July 2013
AASB 13	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	No change expected.	1 July 2013

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1 Statement of Significant Accounting Policies (cont):

Accounting policies which have been significant in the preparation and presentation of the accounts.

(a) Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the economic entity, being the parent entity, Sealink Travel Group Ltd, and its controlled entities as defined in AASB127 "Consolidated and Separate Financial Statements". The term "Economic Entity" used throughout these financial statements means the parent entity and its controlled entities. A list of controlled entities appears in Note 22.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies.

The consolidated financial statements include the information and results of each controlled entity from the date on which the parent entity obtains control and until such time as the parent entity ceases to control such entities.

In preparing the consolidated financial statements, all intercompany balances, transactions and unrealised profits arising within the economic entity are eliminated in full.

(b) Financial assets

Financial assets, being available-for-sale investments are initially recorded at cost. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Statement of Comprehensive Income.

(c) Inventories

Inventories are valued at the lower of cost and net realisable value.

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 ventures, and 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.

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 ventures, 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.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1 Statement of Significant Accounting Policies (cont):

(d) Taxes (cont)

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) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the economic entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date allocated to each of the economic entity's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether the assets and liabilities of the economic entity are assigned to those units. Each unit to which the goodwill is so allocated represents the lowest level within the economic entity at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1 Statement of Significant Accounting Policies (cont):

(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 national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(h) Impairment of assets

At each reporting date, the economic 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 market value less costs to sell 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.

(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 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	10 - 20 years
Ferry - at deemed cost	10 - 20 years

(1) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. 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.

An impairment exists when the carrying value of an asset or cash generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income.

(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.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1 Statement of Significant Accounting Policies (cont):

(j) Revenue (cont)

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.

(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 30 - 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.

Collectibility 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) Trade and other payables

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

(n) 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 date 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.

Translation of Group Companies' functional currency to presentation currency

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows -

- * assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- * income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are taken directly to the group's foreign currency translation reserve in the Statement of Financial Position. These differences are recognised in the Statement of Comprehensive Income in the period in which the operation is disposed.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1 Statement of Significant Accounting Policies (cont):

(o) 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.

(p) Tax consolidation and tax sharing

Sealink Travel Group's wholly owned subsidiary, Kangaroo Island Sealink Pty Ltd and its 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. Members of the group have entered into a tax sharing arrangement whereby income tax expense is allocated to each entity on the basis of their respective liability.

Members of the tax consolidated group have entered into a tax funding agreement which provides for the allocation of current taxes to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Allocations under the tax funding agreement are made at the end of each year.

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.

(q) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(r) 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.

(s) 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.

(t) 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 economic entity.

Key Estimates - Impairment

The economic entity assesses impairment at each reporting date by evaluating conditions specific to the economic 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.

Key Estimates - Doubtful debts provision

The economic 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.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	30 JUNE 2011	30 JUNE 2010
	\$	\$
2 REVENUES AND EXPENSES		
Revenues and expenses from continuing operations		
(a) Revenue		
Sales revenue	63,885,212	59,642,197
Interest income	27,264	29,459
Rental income	65,434	16,385
	<u>63,977,910</u>	<u>59,688,041</u>
(b) Other Income		
(Loss)/profit on the sale of fixed assets	(30,225)	109,250
Other	1,020,493	1,602,716
	<u>990,268</u>	<u>1,711,966</u>
(c) Finance Costs		
Interest expense		
- Other loans	515,154	398,617
- Finance leases	212,763	140,677
Finance charges	140,508	170,353
	<u>868,425</u>	<u>709,647</u>
(d) Depreciation		
- Property, plant and equipment	1,934,578	1,941,559
- Leased assets	418,367	436,180
Total depreciation	<u>2,352,946</u>	<u>2,377,739</u>
(e) Employee Benefits expense		
Wages and salaries	13,009,521	13,706,390
Other employee benefits	28,891	302,657
Superannuation	1,142,588	1,026,600
Workers Compensation costs	279,334	380,903
	<u>14,460,334</u>	<u>15,416,550</u>
(f) Lease payments in income statement		
Operating lease rental expenses	<u>880,221</u>	<u>820,648</u>
(g) 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	87,580	70,930
- Other services	-	-
	<u>87,580</u>	<u>70,930</u>
(h) Inventory expense		
Costs of inventories recognised as an expense	<u>4,903,112</u>	<u>3,993,073</u>
(i) Impairment		
Impairment of intangible assets	<u>-</u>	<u>1,000</u>

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

3 INCOME TAX

Consolidated
30 JUNE 2011 30 JUNE 2010
\$ \$

The major components of income tax expense are:

Current tax	2,306,816	3,136,853
Deferred tax	38,968	61,426
Under (over) provision in respect of prior years	(19,840)	(19,377)
Income tax expense	<u>2,325,944</u>	<u>3,178,902</u>

Tax expense reconciliation:

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit before tax	<u>7,859,023</u>	<u>9,474,912</u>
Income tax expense calculated at 30% of operating profit	<u>2,357,707</u>	<u>2,842,474</u>
Other	(21,322)	(21,932)
Change in Tax Rate	(13,233)	-
Non-deductible expenses (share option cost)	22,632	113,424
Amounts (over) / under provided in prior years	(19,840)	(19,377)
Income previously claimed as non-assessable	-	264,313
Income tax expense	<u>2,325,944</u>	<u>3,178,902</u>

Deferred Income tax

	Statement of Financial Position		Statement of Comprehensive Income	
	30 JUNE 2011	30 JUNE 2010	30 JUNE 2011	30 JUNE 2010

Deferred income tax at 30 June relates to the following:

CONSOLIDATED

Deferred tax assets

Provision for doubtful debts	31,076	36,242	5,166	40,914
Provision for diminution	-	1,670	1,670	-
Government grant	83,672	90,164	6,492	6,492
Accruals	41,358	66,864	25,506	(23,261)
Capital expense timing differences	187,995	101,968	(86,027)	(14,529)
Tax losses	33,691	7,793	(25,898)	6,247
Asset timing depreciation differences	(302,880)	(277,945)	24,935	72,939
Employee entitlements	703,070	616,701	(86,369)	(92,031)
Total deferred tax assets	<u>777,982</u>	<u>643,457</u>		

Deferred tax liability

Accelerated depreciation for tax purposes	1,476,263	1,321,452	154,811	84,101
Consumables	43,766	38,317	5,449	(19,446)
Total deferred tax liabilities	<u>1,520,029</u>	<u>1,359,769</u>		
Change in tax rate in NZ 1st July, 2011			13,233	-
Deferred Income tax expense			<u>38,968</u>	<u>61,426</u>

4 TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	1,779,615	1,369,887
Other	234,180	150,472
Allowance for doubtful debts	<u>(99,570)</u>	<u>(120,807)</u>
	<u>1,914,225</u>	<u>1,399,552</u>

Trade receivables are non-interest bearing and are generally on 14-60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is past due and considered impaired.

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

	Total	0-30 days	31-60 days	61-90 days	Over 90 days
2010 - Consolidated	1,369,887	923,852	311,537	94,075	40,423
2011 - Consolidated	1,779,615	1,060,866	520,502	156,368	41,879

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
		30 JUNE 2011	30 JUNE 2010
		\$	\$
5 INVENTORIES			
Fuel (at cost)		182,306	165,451
Goods held for resale (at cost)		61,726	44,830
Brochures (at cost)		57,835	30,080
Total current inventories		<u>301,867</u>	<u>240,361</u>
6 PREPAYMENTS			
Prepayments		<u>1,041,279</u>	<u>690,597</u>
7 OTHER FINANCIAL ASSETS (NON-CURRENT)			
Shares in other corporations at cost		-	5,567
Accumulated Impairment		-	(5,567)
Total non-current other financial assets		<u>-</u>	<u>-</u>
8 PROPERTY, PLANT AND EQUIPMENT			
Land and buildings			
Cost			
Opening balance		6,298,666	5,014,961
Additions		256,798	1,283,705
Disposals		-	-
Closing balance		<u>6,555,464</u>	<u>6,298,666</u>
Accumulated depreciation			
Opening balance		813,909	623,386
Depreciation for the year	2 (d)	218,845	190,523
Closing balance		<u>1,032,754</u>	<u>813,909</u>
Foreign exchange adjustment		<u>(77,162)</u>	<u>(60,043)</u>
Total land and buildings, net		<u>5,445,548</u>	<u>5,424,714</u>
Plant and equipment			
Cost			
Opening balance		7,686,520	6,463,908
Transfers		-	401,038
Additions		2,047,857	1,622,092
Disposals		(466,424)	(800,517)
Closing balance		<u>9,267,953</u>	<u>7,686,520</u>
Accumulated depreciation			
Opening balance		3,619,688	3,378,218
Transfers		-	315,229
Depreciation for the year	2 (d)	668,757	554,657
Disposals		(386,881)	(628,415)
Closing balance		<u>3,901,564</u>	<u>3,619,688</u>
Foreign exchange adjustment		<u>(136,281)</u>	<u>(77,284)</u>
Total plant and equipment, net		<u>5,230,109</u>	<u>3,989,549</u>
Plant and equipment under lease			
Cost			
Opening balance		2,677,524	3,203,209
Additions		540,200	48,007
Transfers		-	(401,038)
Disposals		-	(172,654)
Closing balance		<u>3,217,724</u>	<u>2,677,524</u>
Accumulated depreciation			
Opening balance		1,119,970	1,171,673
Depreciation for the year	2 (d)	418,367	436,180
Transfers		-	(315,229)
Disposals		-	(172,654)
Closing balance		<u>1,538,337</u>	<u>1,119,970</u>
Foreign exchange adjustment		<u>(2,384)</u>	<u>-</u>
Total leased plant and equipment, net		<u>1,677,003</u>	<u>1,557,554</u>

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 30 JUNE 2011 \$	30 JUNE 2010 \$
8 PROPERTY, PLANT AND EQUIPMENT (CONT)			
Ferry			
<i>Deemed Cost</i>			
Opening balance		2,628,548	2,625,008
Additions		387,597	3,540
Closing balance		<u>3,016,145</u>	<u>2,628,548</u>
<i>Accumulated depreciation</i>			
Opening balance		2,170,228	2,170,021
Depreciation for the year	2 (d)	354	207
Closing balance		<u>2,170,582</u>	<u>2,170,228</u>
Total ferry, net		<u>845,563</u>	<u>458,320</u>
Ferries			
<i>Cost</i>			
Opening balance		36,378,660	36,337,063
Additions		7,872,135	41,597
Disposals		-	-
Closing balance		<u>44,250,795</u>	<u>36,378,660</u>
<i>Accumulated depreciation</i>			
Opening balance		16,337,627	15,141,454
Depreciation for the year	2 (d)	1,046,623	1,196,173
Disposals		-	-
Closing balance		<u>17,384,250</u>	<u>16,337,627</u>
Foreign exchange adjustment		<u>(1,776,176)</u>	<u>(1,379,370)</u>
Total ferries, net		<u>25,090,369</u>	<u>18,661,664</u>
Total property, plant & equipment, net		<u>38,288,592</u>	<u>30,091,800</u>
9 INTANGIBLE ASSETS			
Goodwill - at cost		6,895,631	475,239
Less - Accumulated impairment		<u>(94,420)</u>	<u>(94,420)</u>
Total intangible assets, net		<u>6,801,211</u>	<u>380,819</u>

During the year, the business of the Sunferries Group Pty Ltd was acquired which resulted in goodwill of \$6,420,392. Refer to note 30 for further detail.

Goodwill acquired through business acquisitions has been allocated to the Ski Connection, KI Booking Centre, Coachlines, KI Odysseys and Sydney Travel Centre business units. The recoverable amounts have been determined via a value in use calculation using cash flow projections based on financial budgets approved by senior management using a 5 year period and discounted at a risk adjusted interest rate.

10 TRADE AND OTHER PAYABLES (CURRENT)

<u>Unsecured:</u>			
Trade creditors (ii)		2,380,366	2,369,343
Deferred income - Government grant		22,000	22,000
Prepaid travel (iii)		1,645,902	1,863,727
Vendors (i)		-	179,007
Sundry payables and accruals		<u>1,526,545</u>	<u>1,602,267</u>
Total current trade and other payables		<u>5,574,813</u>	<u>6,036,344</u>

- (i) Non interest bearing loan owed to Subritzky Maritime Holdings Ltd. This loan has now been extinguished.
(ii) Trade creditors are non-interest bearing and are normally settled on 30-60 day terms.
(iii) As part of providing ferry services to passengers, vehicles and freight, customers pay a portion or all of the balance owing in advance of the travel. 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 2011 (2010: 1 July 2010).

11 INTEREST BEARING LOANS AND BORROWINGS (CURRENT)

<u>Secured:</u>			
Bank Overdraft (i)		835,535	403,335
Bank loans (i)		506,126	508,362
Lease liabilities (ii) (Note 19)		<u>1,203,003</u>	<u>573,746</u>
Total current interest bearing liabilities		<u>2,544,664</u>	<u>1,485,443</u>

- (i) Refer Note 14 for significant security, conditions and term details. The Bank Overdraft carries the same security as Bank Loans.
(ii) Effectively secured over the assets leased. Leases are fixed rate with lease terms of between 3 and 5 years.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Consolidated
30 JUNE 2011 30 JUNE 2010
\$ \$

12 PROVISIONS (CURRENT)

Dividends (refer note 28)

Opening balance	1,800,000	1,500,000
Paid during the year	(1,800,000)	(1,500,000)
Declared and not paid	-	1,800,000
Closing balance	-	1,800,000

The timing of dividends was changed during 2011 to more closely align the timing of payments to that of a public company. Subject to profitability, cash flow and the ability to pay, future dividends will be paid in April (interim) and October (final) each financial year.

Employee benefits

Opening balance	1,740,336	1,544,092
Provisions from acquisition	130,152	-
Additional provisions	912,932	1,126,391
Amounts used	(824,350)	(930,147)
Employee entitlements	1,959,070	1,740,336

Total current provisions	1,959,070	3,540,336
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13 PAYABLES (NON-CURRENT)

Deferred income - Government grant	256,906	278,545
Shareholder Loan (i)	21,938	15,949
Total non-current payables	278,844	294,494

(i) Non-interest bearing loan with no fixed term.

14 INTEREST BEARING LOANS AND BORROWINGS (NON-CURRENT)

Secured:

Bank loans (i)	12,774,469	7,103,743
Lease liabilities (ii) (Note 19)	4,227,907	1,226,710
	17,002,376	8,330,453

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

Australian facilities-

First registered mortgage over property situated at Penneshaw, Kangaroo Island.

First ranking registered company charge over all the assets and undertakings of Kangaroo Island Sealink Pty Ltd.

Registered ship mortgages over the vessels "Sealion 2000" and the "Spirit of Kangaroo Island".

Various guarantee facilities have been provided as surety on a range of lease contracts.

First ranking registered company charge over all the assets and undertakings of Australian Inbound Pty Ltd, The Living Classroom Pty Ltd, Travellink Technology Pty Ltd, Vivonne Bay Outdoor Education Centre Pty Ltd, as well as Sealink Bank loans have been drawn down under an interchangeable bill facility and are subject to an annual review. \$4m of the facility is fixed rate and matures March, 2013.

Certain facilities are provided on a rolling evergreen basis and it is expected that they will be rolled for a period of not less than 12 months. Other facilities have a maturity date of January, 2013.

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

New Zealand facilities-

The cash advance facilities with a NZ \$5.3m limit are secured by first mortgage over the ferries of the SeaLink New Zealand Group plus a General Security Agreement in present and future assets of SeaLink New Zealand Ltd. Facility review date is 30 November 2011. These facilities are provided on an evergreen basis and it is expected that they will be rolled for a period of not less than 12 months.

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 60 months.

Committed financing facilities of \$47,125,614 (2010: 14,873,2117) were available to the economic entity at the end of the financial year. As at that date \$19,602,164 (2010: \$9,866,020) of these facilities were in use.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated			
	30 JUNE 2011	30 JUNE 2010		
	\$	\$		
15 PROVISIONS (NON-CURRENT)				
Employee Benefits				
Opening balance	315,334	204,801		
Provisions from acquisition	46,092	-		
Additional provisions	164,211	148,809		
Amounts used	(124,747)	(38,276)		
Total non-current provisions	<u>400,890</u>	<u>315,334</u>		
16 CONTRIBUTED EQUITY				
Issued and fully paid			No. of Shares on Issue	
50,000,000 ordinary shares	2,751,000	2,751,000	30 JUNE 2011	30 JUNE 2010
Issue of 5,000,000 ordinary shares on 28/03/2011 (refer Note 30)	6,000,000	-	50,000,000	50,000,000
	<u>8,751,000</u>	<u>2,751,000</u>	<u>55,000,000</u>	<u>50,000,000</u>

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and per value shares. Accordingly, the parent does not have authorised capital nor par value shares in respect of issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

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

Current Assets	-	1,800,000
Total Assets	15,161,481	7,854,197
Current Liabilities	310,480	2,953,197
Total Liabilities	6,410,481	5,103,197
Contributed equity	8,751,000	2,751,000
Reserves	453,521	378,080
Retained profits	(453,521)	(378,080)
Total Parent Equity	<u>8,751,000</u>	<u>2,751,000</u>
Profit or loss of the parent entity	<u>2,624,559</u>	<u>6,921,920</u>
Total comprehensive income of the parent entity	<u>2,624,559</u>	<u>6,921,920</u>

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

18 CASH AND CASH EQUIVALENTS

a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and bank overdraft.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash	966,042	1,171,601
Bank Overdraft	(835,535)	(403,335)
Cash	<u>130,507</u>	<u>768,266</u>

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

Operating profit after income tax	5,533,079	6,296,010
Non-Cash Items		
Depreciation and amortisation of non-current assets	2,352,946	2,377,739
Deferred income	(21,639)	(21,640)
Provision for diminution in value of investments	-	1,000
Loss/(Profit) on disposal of non-current assets	30,225	(109,250)
Share Option cost	75,441	378,080
Changes in net assets and liabilities		
Tax balances (Decrease)/Increase	(1,043,383)	689,266
Current trade receivables (Increase)/Decrease	(438,229)	(191,299)
Current inventories (Increase)/Decrease	9,151	63,238
Other current assets (Increase)/Decrease	(617,466)	(172,778)
Current trade and other creditors (Decrease)/Increase	(136,815)	1,139,420
Employee entitlements (Decrease)/Increase	128,046	218,264
Net cash provided by operating activities	<u>5,871,356</u>	<u>10,668,050</u>

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Consolidated
30 JUNE 2011 30 JUNE 2010
\$ \$

19 FINANCIAL COMMITMENTS

a) Capital expenditure commitments:

Kangaroo Island Sealink Pty Ltd has entered into an agreement to upgrade the Penneshaw terminal. Based on very high level costings, the Board estimates terminal costs will be in the range of \$2,500,000 - \$3,000,000, subject to approval by the Board and KI Council. The terminal is expected to be upgraded within 12 months from the reporting date.

Plant and equipment		
Not later than one year	-	85,000

b) Commitments under non-cancellable operating leases:

Not later than one year	922,889	575,046
Later than one year but not later than five years	3,062,947	990,848
	3,985,836	1,565,894

c) Finance lease commitments:

Not later than one year	1,203,003	576,955
Later than one year but not later than five years	5,577,147	1,455,384
Minimum lease payments	6,780,150	2,032,339
Future finance charges	(1,349,240)	(231,883)

Net finance lease liability	5,430,910	1,800,456
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Included in the accounts as:

Reconciled to:

Current liability (Note 11)	1,203,003	573,746
Non-current liability (Note 14)	4,227,907	1,226,710
	5,430,910	1,800,456

20 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Names and positions held of key management personnel in office at any time during the financial year are:

Directors -

Mr GM Ursini	Chairman
Mr FA Mann	Director – (non-executive)
Mr BJ Mayfield	Director – (non-executive)
Mr C Smerdon	Director – (non-executive)
Mr A Russo	Director – (non-executive)
Mr W T Spurr	Director – (non-executive)
Mr J R Ellison	Managing Director and Chief Executive Officer
Mr T Dodd	Director – (non-executive), appointed 28th March, 2011

Other Key Management Personnel -

Ms D Gauci	General Manager, Sealink Travel Group NZ
Mr T Waller	Chief Financial Officer, Company Secretary
Mr Neil Gould	General Manager, Sales

(b) Key Management Personnel Remuneration

	Consolidated	
	2011	2010
	\$	\$
Short-Term	1,159,637	1,267,009
Post employment	114,689	125,309
Other long-term	-	-
Termination Benefits	-	-
Share-based payment	-	-
	1,274,326	1,392,318

There are no loans to directors or key management personnel.

(c) Other

There were no options granted as remuneration nor were any shares issued during the year as a result of any conversion of shares.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

20 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT)

(d) Remuneration Policy

The company's policy for determining the nature and amount of emoluments of board members and senior executives is as follows:

The remuneration structure for executive officers is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts of service between the company and specified directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, specific executives and directors are paid employee benefit entitlements accrued to the date of their retirement. The company may terminate the respective contracts by providing adequate notice or making a payment in lieu of notice. Termination payments are generally not payable on resignation or serious misconduct. In instances of serious misconduct, the company can terminate employment at any time.

(e) Other transactions

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

- Purchases totalling \$1,410 from BJM Engineering Pty Ltd, a company associated with Mr B Mayfield (2010: \$596);
- Purchases and services totalling \$6,426 from Vectra Corporation Ltd, a company associated with Mr C Smerdon (2010: \$7,151);
- Purchases and services totalling \$100,000 from Coachlines Australia and Tourism and Allied, companies associated with Mr C Smerdon (2010: \$130,100);
- Purchases totalling \$4,331 from Cape Jervis Tavern Pty Ltd, a company associated with Mr A Russo (2010: \$3,985).

21 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

There are no current or potential claims against the Company or the consolidated entity (2010: nil).

Contingent Assets

There were no contingent assets as at June 30, 2011 (2010: nil).

22 CONTROLLED ENTITIES

	Book value of parent entity's investment		Contribution to consolidated result for the period	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Related bodies corporate -				
Direct subsidiaries incorporated in Australia -				
Kangaroo Island Sealink Pty Ltd	\$ 3,000,000	\$ 3,000,000	\$ 4,723,655	\$ 5,089,756
Sealink Ki Ferries Pty Ltd	7,120	7,120	-	-
Backstairs Passage Equities Pty Ltd	7,120	7,120	-	-
Ki Resorts Equities Pty Ltd	7,120	7,120	-	-
Travellink Pty Ltd	7,120	7,120	-	-
Ki Adventure Tours Pty Ltd	7,119	7,119	-	-
Sunferries Group Pty Ltd	10,206,238	-	(27,110)	-
STG Properties Pty Ltd	-	-	(16,382)	(148)
Australia Inbound Pty Ltd (ii)	-	-	-	106,389
The South Australian Travel Company Pty Ltd (ii)	-	-	296,175	920,875
Hog Bay Inn Pty Ltd (ii)	-	-	-	-
Travellink Technology Pty Ltd (ii)	-	-	-	(388,643)
Vivonne Bay Outdoor Education Centre Pty Ltd (ii)	-	-	-	175,832
The Living Classroom Pty Ltd (ii)	-	-	-	(43,613)
Incorporated in New Zealand -				
SeaLink New Zealand Ltd (ii)	-	-	(532,766)	(583,274)
Sealink Travel Group NZ Ltd (i)	-	-	1,514,316	1,400,337
FreightLink Ltd (i) - Refer Note 27 (i)	-	-	(64,323)	(3,421)

All subsidiaries are 100% owned except FreightLink Ltd which is 51% owned.

(i) SeaLink New Zealand Ltd is the parent entity of this subsidiary.

(ii) Kangaroo Island Sealink Pty Ltd is the parent entity of these subsidiaries.

Sealink Travel Group Ltd is the ultimate controlling entity of the economic entity.

During the year, the following transactions occurred between members of the economic entity -

The Company charged ferry rental for the Island Navigator to Sealink New Zealand Ltd of \$150,000 (2010: \$150,457).

23 EVENTS AFTER THE BALANCE SHEET DATE

On 22 July, 2011, Sealink Travel Group entered into a sale agreement to purchase the business of Captain Cook Cruises, a major tourism and ferry operator. The acquisition will be 100% debt funded and will involve purchasing 15 vessels along with Captain Cook's Neutral Bay marina, as well as other items of plant & equipment. The Captain Cook Fiji business will not form part of the business acquisition. Settlement will be undertaken once all conditions precedent have been met, some of which were outstanding at the date of these accounts.

On 15 August, 2011 the business of Skylink, an airport shuttle service, was sold to Smart Car for a consideration of \$160,000.

On 15 September, 2011, Kangaroo Island Pty Ltd entered into an agreement to sell its shares in Sealink New Zealand Limited for an agreed amount which although is confidential, is in excess of the net assets of Sealink NZ Ltd Group at 30 June 2011. Settlement is targeted to occur on 30th September but is subject to certain conditions being met. These conditions remain outstanding at the date of the signing of this report.

Other than the above 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 2011

24 COMPANY INFORMATION

The financial report of the Company for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of directors on 21 September, 2011. The company is a company limited by shares incorporated in Australia.

The address of the registered office is 440 King William Street, Adelaide SA.

25 FINANCIAL INSTRUMENTS

(a) Financial risk management

The group's financial instruments consist mainly of accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The main purpose of non-derivative finance instruments is to raise finance for group operations. The group does not have any derivative instruments at 30 June, 2011 (2010: Nil).

(i) Treasury Risk Management

The Board of Directors meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial Risks

The main risks the group is exposed to through its financial instruments is interest rate and foreign currency risk.

Interest rate risk.

Interest rate risk is managed with a mixture of floating and fixed rate debt. At 30 June 2011, approximately 51% of the Group's financial liabilities is fixed (2010: 59%).

Foreign currency risk

The group has adopted a natural hedge position with respect to loans in foreign currency. Accordingly, no sensitivity analysis with respect to fluctuations in foreign currency has been provided. Exposure on servicing interest has been deliberately left unhedged.

Credit Risk

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

(b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Consolidated

	Weighted Average Effective Interest Rate		Within 1 year		1 to 5 years		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Financial Assets								
<i>Floating Rate</i>								
Cash Assets	1.1%	1.2%	966,042	1,171,601	-	-	966,042	1,171,601
Financial Liabilities								
<i>Floating Rate</i>								
Overdraft	5.46%	7.53%	835,535	403,335	-	-	835,535	403,335
Bills of exchange	5.65%	7.27%	506,126	508,362	8,774,469	3,103,743	9,280,595	3,612,105
<i>Fixed Rate</i>								
Bills	5.28%	5.80%	-	-	4,000,000	4,000,000	4,000,000	4,000,000
Leases	7.20%	7.12%	1,203,003	573,746	4,227,907	1,226,710	5,430,910	1,800,456
Net Exposure			(1,578,622)	(313,842)	(17,002,376)	(8,330,453)	(18,580,998)	(8,644,295)

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

25 FINANCIAL INSTRUMENTS (cont)

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-

	Consolidated	
	30 JUNE 2011	30 JUNE 2010
Judgement of reasonably possible movements -	\$	\$
Movement of +0.5%	(32,025)	(9,953)
Movement of -1%	64,051	19,907

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

(c) Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments recognised in the financial statements. The fair value of the term debtors are determined by discounting the cash flows at the market interest rates of similar securities to their present value. The net fair values of borrowings are determined by discounting the expected future cash flows at prevailing interest rates. For other assets and liabilities, the net fair value approximates their carrying value. Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

Economic Entity	2011		2010	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
Financial Assets				
Cash	966,042	966,042	1,171,601	1,171,601
Trade and other receivables	1,914,225	1,914,225	1,399,552	1,399,552
Other financial assets	1,041,279	1,041,279	690,597	690,597
Financial Liabilities				
Bank Overdraft	835,535	835,535	403,335	403,335
Bill facilities	13,280,595	13,231,188	7,612,105	7,550,529
Lease and hire purchase	5,430,910	5,430,910	1,800,456	1,800,456
Trade and sundry creditors	3,906,911	3,906,911	3,971,610	3,971,610
Loans	-	-	179,007	179,007

26 RESERVES

(a) Foreign Currency Translation Reserve

Opening Balance	(144,320)	(206,318)
Movement for the year	(224,504)	61,998
Closing balance	(368,824)	(144,320)

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

(b) Share Option Reserve

Opening Balance	378,080	-
Movement for the year	75,441	378,080
Closing balance	453,521	378,080

TOTAL RESERVES	84,697	233,760
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The Share Option reserve is used to record the value of options issued to directors and employees as part of their remuneration. Refer to Note 29 for further details of these option plans.

27 NON-CONTROLLING INTERESTS

	\$	\$
Contributed Equity in FreightLink Limited	203,126	203,126
Retained profits / (losses) in FreightLink Limited	(61,623)	(30,104)
	141,503	173,022

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

28 DIVIDENDS

	Consolidated	
	30 JUNE 2011	30 JUNE 2010
	\$	\$
Distributions paid -		
Interim fully franked dividend for 2011 of 1.9 cents per share paid 15/4/11.	900,000	-
Interim fully franked dividend for 2011 of 3.6 cents per share paid 15/12/10.	1,800,000	-
Special Interim fully franked dividend for 2010 of 8.0 cents per share paid 15/12/09.	-	4,000,000
Interim fully franked dividend for 2010 of 3.0 cents per share paid 15/1/10.	-	1,500,000
Fully franked dividend of 3.6 cents per share for 2010, as declared by the directors 19/5/10 and paid 1/7/10.	-	1,800,000
	<u>-</u>	<u>1,800,000</u>

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	6,465,472	5,657,436
Franking credits that will arise from the payment of income tax as at the end of the financial year.	504,000	1,117,598
Franking debits that will arise from the payment of dividends as at the end of the financial year.	-	(771,429)
	<u>6,969,472</u>	<u>6,003,605</u>

29 SHARE OPTION PLANS

(a) Recognised share-based payment expenses		
Expense arising from options issued in 2010	<u>75,441</u>	<u>378,080</u>

(b) Types of share option plans

Director Options

Under this plan the Company has previously issued the following options:

Option Class	# of Options	Option Value
A	3,125,000	\$ 219,065
B	3,125,000	\$ 165,940
C	750,000	\$ 39,825

The main terms associated with the options are -

Type of Option	Commencement Date	Expiry Date	Exercise Price
A	21/10/2009	21/10/2014	\$1.20
B	21/10/2010	21/10/2014	\$1.40
C	21/10/2011	21/10/2014	\$1.40

The options can be exercised anytime between commencement date and expiry date.

Employee Share Option Plan

Share options are 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.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

29 SHARE OPTION PLANS (cont)

(c) Summaries of options granted

The following table illustrates the number and weighted average exercise price (WAEP) of and movements in all share options during the year -

	Number	WAEP
Outstanding at the beginning of the year	7,565,000	1.31
Granted during the year	-	n/a
Forfeited during the year	-	n/a
Exercised during the year	-	n/a
Outstanding at year end	<u>7,565,000</u>	<u>1.31</u>

The outstanding balance is represented by -

Type of Option	
A	3,407,500
B	3,407,500
C	<u>750,000</u>
	<u>7,565,000</u>

The weighted average fair value of options granted was \$0.0608 cents per option.

(d) Option pricing Model

There were no options issued during the current year.

30 BUSINESS COMBINATION

Acquisition of Sunferries Group Pty Ltd and its controlled entities

On 28 March 2011, Sealink Travel Group Ltd acquired 100% of the shares in the Sunferries Group Pty Ltd ("Sunferries") and its controlled entities, a Townsville-based business whose main source of revenue is the provision of ferry services to Magnetic Island and Palm Island.

Shares in Sunferries were acquired for a net consideration of \$10,206,796 with payment made through -

* The issue of 5,000,000 ordinary shares with a fair value of \$1.20 each, based on an agreed price of the shares of the Sealink Travel Group at the date of exchange.

* Payment of cash of \$4,206,796

Existing debt of \$3,685,090 was also refinanced as part of the purchase.

The fair values of the identifiable assets and liabilities of the Sunferries as of the date of acquisition were:

	Consolidated Fair Value at acquisition date \$000
Cash and cash equivalents	178
Plant & Equipment	1,537
Vessels	6,100
Deferred Tax Asset	53
Trade Receivables	76
Inventories	71
Other Assets	<u>(266)</u>
Total fair value of acquired assets	<u>7,749</u>
Trade & Other Payables	109
Provision for taxation	(7)
Provision for employee benefits	176
Chattel Mortgages	<u>3,684</u>
Total fair value of acquired liabilities	<u>3,962</u>
Total net fair value of acquired assets	<u>3,787</u>

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

30 BUSINESS COMBINATION (CONT)

	Consolidated Fair Value at acquisition date \$000
Provisional fair value of net identifiable assets	3,787
Goodwill arising on acquisition	6,420
	<u>10,207</u>
Acquisition-date fair value of consideration transferred:	
Shares issued, at fair value	6,000
Cash Paid	4,207
Consideration transferred	<u>10,207</u>
Direct costs related to the acquisition (included in administrative expenses)	348
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	178
Cash Paid	(4,207)
Net consolidated cash outflow	<u>(4,029)</u>

The consolidated statement of comprehensive income includes sales revenue and net profit for the year ended 30 June 2011 of \$2,551,071 and (\$27,110) respectively, as a result of the acquisition of Sunferries. Access to the full year's comprehensive income, should the acquisition by Sealink Travel Group have occurred at the the beginnng of the reporting period, is not available.

Key factors contributing to the \$6,420,392 of goodwill are growth opportunities existing within the acquired business, and synergies expected to be achieved as a result of combining Sunferries with the rest of Sealink Travel Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

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 Ltd, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of 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 1, 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.

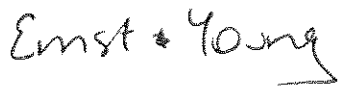
Independence

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 referred to in the directors' 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 2011 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 1.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'David Sanders'.

David Sanders

Partner

Adelaide

21 September 2011

Auditor's Independence Declaration to the Directors of Sealink Travel Group Ltd

In relation to our audit of the financial report of Sealink Travel Group Ltd and its controlled entities for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'David Sanders'.

David Sanders
Partner

21 September 2011