

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
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FINANCIAL REPORT AND APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
ASX APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results in brief

	Dec 2016 \$m	Dec 2015 \$m	Change \$m	Change %
Revenue	105.8	74.3	31.5	42.4
Net Profit Before Tax	19.0	12.3	6.7	54.5
Profit from ordinary activities after tax attributable to members	13.1	8.6	4.5	52.3

Dividends

	Amount per Share (Cents)	100% Franked Amount per Share (Cents)
31 December 2016		
Interim Dividend	6.0	6.0
30 June 2016		
Interim Dividend	4.5	4.5
Final Dividend	7.5	7.5

1. The record date for determining entitlements to the interim dividend of 6.0 cents per share is 31 March 2017. The payment date for the interim dividend is 14 April 2017.
2. Final dividend of 7.5 cents per share for the year ended 30 June 2016 was declared 18 August 2016.

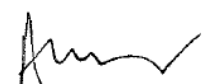
Net tangible assets

	Dec 2016 \$	Dec 2015 \$
Net tangible backing per ordinary share	0.95	0.89

The report is based on accounts which have been reviewed by the auditor of SeaLink Travel Group Ltd. 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 2016.

Signed:



A J McEvoy
Chair
13 February 2017

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

The Board of Directors of SeaLink Travel Group Ltd has pleasure in submitting its report for the half-year ended 31 December 2016.

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.) - Chairman

Jeffrey R. Ellison (B. Acc., FCA, FAICD) - Managing Director and Chief Executive Officer

Christopher D. Smerdon - (MAICD)

Terry J. Dodd

Andrea J.P. Staines – (B. Ec., MBA Finance)

Fiona Hele - (B. Com., FCA, GAICD) - Appointed 13 September, 2016

William T. Spurr AO - (B. App. Science, B. Ec., Dip. T., FAICD) - Retired 25 October, 2016

Company Secretary

The position is jointly held by Trevor Waller (B. Arts, Dip Mgt.) and Paul Blewett (LLB).

Review of operations and results

Result Overview

SeaLink Travel Group Ltd (SeaLink) experienced a record profit performance during the first half of 2016/17 with continued sales growth and improved profit returns. It was also successful in its strategy to grow the business with a new route commencing in the Northern Territory, completion of construction of 2 "Tubby Class" vessels for expansion in Sydney and the placement on contract of several of the Capricornian vessels from Gladstone.

The Company recorded a net profit before tax (PBT) of \$19.0m compared to \$12.3m for the previous half. Included in the 2015/16 half year result were acquisition related expenses of \$0.9m comprising professional fees, success fees and stamp duty. Adjusting for these expenses, the PBT for the half year was up 43% over the previous half year to December 2015. Growth in the PBT reflected a higher contribution from all business units for the half year.

Net Profit after Tax (NPAT) was \$13.1m compared to a NPAT of \$8.6m for the December 2015 half year. From a comparative perspective, the December 2015 half year included the after-tax effect of the SeaLink Gladstone/South East Queensland acquisition costs of \$0.7m.

SeaLink Gladstone/South East Queensland provided a strong contribution to profit for the half with the business unit recording earnings before interest and tax of \$9.6m compared to \$4.3m for last year (2 month trading period only) and after taking into account once off acquisition costs in the 2015 half of \$0.9m.

Captain Cook Cruises NPAT increased by \$1.5m to \$2.8m as a result of higher Sydney dining sales, strong charter income which was aided by a charter of the MV Maggie Cat in Tonga and six months trading by Captain Cook Cruises WA (acquired in April 2016) which contributed \$0.6m of the increase.

SeaLink SA's operations saw a combination of improved returns from touring products and accommodated cruising on the Murray River, lower ferry repairs and improved freight volumes to Kangaroo Island. NPAT for the half was \$0.6m higher.

SeaLink Directors today declared a fully franked interim dividend of 6.0 cents per share (2015/16 interim dividend was 4.5 cents per share).

At the October 2016 AGM, former director Bill Spurr (AO) did not seek re-appointment. SeaLink is pleased to report that Ms Fiona Hele commenced as a Director on 13 September, 2016. Ms. Hele has extensive experience in the financial sector and is a chartered accountant with over 20 years in private practice specialising in strategic and succession planning, human resources, profit and process improvement, feasibility studies, corporate governance and due diligence. Ms Hele is a board member of the Adelaide Venue Management Corporation and South Australian Tourism Commission.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Review of Operations

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

- Record underlying profit of \$13.1m, up 53% on sales of \$105.8m
- Strong Net Operating Cashflow
- Construction of 2 new "Tubby Class" ferries which commenced service in Sydney in January 2017
- Higher returns from the Murray Princess through improved margins and sales
- Dry lease for 1 Capricornian vessel in Melbourne and 1 vessel in Auckland
- Newly constructed vessel *MV Tommy Lyons* commenced operation in Darwin in August 2016
- Improved margins on growing sales for Captain Cook Cruises Sydney lunch and dinner cruises
- Strong tourism demand
- Appointment of Non-Executive Director Ms. Fiona Hele, who joined the Board to replace Mr. Bill Spurr AO
- Appointment of a new Chief Financial Officer, Mr. Andrew Muir who commenced in January 2017

Kangaroo Island SeaLink – including Murray Princess

The business unit had a solid first half where revenue increased by 3.9% to \$33.3m.

Passenger and vehicle numbers to Kangaroo Island showed low growth for the half which reflected 15 days of service interruption due to poor weather. Despite this factor, revenue increased by 2%. Freight volume increased 5% due to stronger economic conditions on the Island.

Murray Princess sales continued their growth increasing by 14.4%. Contribution improved due to higher occupancy and cabin yield as a result of several successful marketing strategies including new themed cruises in the low season. The 2 year outside cabin refurbishment program of the Murray Princess was completed during the period.

Vessel repairs and maintenance expenditure for the Kangaroo Island vessels was \$0.2m lower than last year due to no major repairs or scheduled slipping being required.

As a result of higher sales, improved contributions from the Murray Princess, Kangaroo Island Ferry and Kangaroo Island based tours, the overall business segment contribution before interest increased by 9.4% to \$6.7m compared to the first half of last year.

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

SeaLink SA continued to invest in its vehicle fleet with four new 53 seat Scania coaches purchased for Kangaroo Island and Adelaide Day Tours. The replacement has seen a reduction in external charter expenses. A new Sprinter van was purchased for Kangaroo Island Odysseys.

Captain Cook Cruises NSW & WA

The first half of 2016-17 continued the business unit's growth in sales and product expansion as a result of stronger tourism demand and an improvement in the charter sector.

In Sydney, sales increased by \$2.2m or 11.9% over the first half of last year, with growth coming from dining cruises which saw an increase of 12.6% in sales and 1% in margin following the strategy to transition the Asian market to a higher quality premium dining product. Although demand from China has softened, this has been replaced by an improvement in sales from the Japanese market. Captain Cook Cruises also introduced a new product – "Cruise 88", a budget lunch and dinner cruise designed to compete in the budget Asian areas.

Sydney charter sales increased 38% aided by a three month dry-lease charter to Tonga which finished in mid-January 2017. Turnover from the Hop-on Hop-off ferry service reduced by 7% after an increase in the number of competitors offering a similar service on Sydney Harbour.

In January 2017, two new "Tubby-class" ferries began operations in Sydney and will service the inner harbour market.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Patronage on the White Bay ferry service, which operates into and out of Barangaroo has been growing steadily and is proving profitable. Turnover from the Watsons Bay to Circular Quay service increased by 23% as passenger patronage continues to build.

In WA, Captain Cook Cruises sales increased 8.4% compared to the same period last year. The increase however was below expectations due to the subdued economic conditions in WA and adverse weather conditions during October and November. As such, the contribution of \$0.6m was lower than expectations. There have been no major changes to the business since acquisition.

SeaLink Queensland & NT

There was no major change in the Townsville based Business Unit in the first half year. Sales increased by 3.9% over the first half of last year with business segment contribution increasing by \$0.3m. Higher contributions from the Magnetic Island and Mandorah services were the main drivers.

Turnover from SeaLink Queensland in Townsville increased marginally with 2.9% higher revenue from its core Magnetic Island ferry service. Passengers increased by 2.3% reflecting increased demand from the backpacker market.

Charter income showed positive signs, increasing by 60% reflecting further penetration in the cruise ship market.

SeaLink Northern Territory ("SNT") again performed to expectations during the half year. SNT's revenue increased by \$0.1m with the main influence coming from an increase in new Charters.

During the half, the MV Tommy Lyon construction was completed and commenced service in Darwin. The vessel replaced the MV James Grant, which was transferred to Gladstone for a long-term contract.

In December 2016, SeaLink commenced a new service connecting Groote Eylandt to Bickerton Island. This will provide further growth to contribution in the second half of the 2016-17 year.

Net contribution from SNT operations continues to be positive and is expected to improve.

The Company continues to look for further opportunities to expand ferry services in the Northern Territory.

SeaLink Gladstone and South East Queensland

The marine business acquired from Transit Systems ("TSM") in November 2015 has been performing to expectations. Net profit for the segment (before interest) was \$9.6m for the half compared to \$4.3m for the two months to 31 December 2015. The contribution included utilisation fees associated with a Gladstone contract of \$0.6m and amortisation of customer contracts (intangible asset) of \$0.7m.

In Gladstone, all construction contracts have now been finalised. Additional services for extended hours and vessels were contracted for both operational contracts in Gladstone. The MV Capricornian Sunset remains on contract in Gladstone and the MV Capricornian Spirit was confirmed on a long term engagement.

During the half, a dry lease contract for the MV Capricornian Dancer was put in place to operate in Melbourne. SeaLink also recently signed a charter for a further Capricornian vessel to be dry leased in Auckland. The Capricornian Sunrise was demobilised from Gladstone to Sydney for charter and transport opportunities.

Revenue for Stradbroke Island has been ahead of expectations. This has reflected strong vehicle growth, an increase of 8% for the same period.

The café at Cleveland Brisbane was successfully upgraded and is generating stronger than expect turnover.

Dividend

SeaLink's Directors today declared a 6.0 cents per share fully franked interim dividend payable on 14 April 2017 to shareholders registered on 31 March 2017. This represents a 46% return of after tax net profit to shareholders. The interim dividend for the half-year ended 31 December 2015 was 4.5 cents per share.

SeaLink's dividend policy calculated annually, is to return to shareholders 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.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (cont)
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Matters subsequent to the end of the financial half year

There are no significant events after the end of the reporting period which have come to our attention.

Significant changes in the state of affairs

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

Outlook

As a key part of its strategy to expand, SeaLink will continue to seek acquisitions that fit within its defined investment criteria.

Assuming average seasonal and business conditions remain over the next five months, the SeaLink business is well positioned to report an increase in the reported profit after tax for the 2017 financial year.

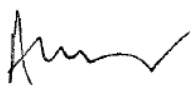
Rounding

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 7.

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



A J McEvoy
DIRECTOR

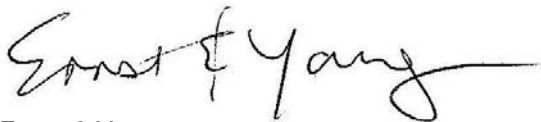
Adelaide
Date: 13 February 2017

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

As lead auditor for the review of SeaLink Travel Group Limited for the half-year ended 31 December 2016, 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



Nigel Stevenson
Partner
Adelaide
13 February 2017

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Continuing Operations			
Revenue		105,140	73,977
Interest income		21	141
Other income		623	228
Total income		<u>105,784</u>	<u>74,346</u>
Direct Operating Expenses-			
Direct wages		30,025	18,147
Repairs and maintenance		5,834	4,174
Fuel		3,817	2,901
Commission		3,770	3,364
Meals and beverage		5,756	3,604
Accommodation		1,955	2,065
Tour costs		5,432	5,488
Other direct expenses		10,453	7,005
Administration Expenses-			
Indirect wages		10,128	8,403
General and administration		5,813	3,937
Marketing and selling		1,312	959
Financing charges		1,694	873
Amortisation of customer contracts		780	154
Acquisition expenses		-	937
Total Expenses		<u>86,769</u>	<u>62,011</u>
Profit before tax from continuing operations		19,015	12,335
Income tax expense	1A	<u>5,908</u>	<u>3,781</u>
Profit for the half year from continuing operations		<u>13,107</u>	<u>8,554</u>
Attributable to equity holders of the parent		<u>13,107</u>	<u>8,554</u>
Earnings per share-			
Basic profit for the period attributable to ordinary equity holders of the parent	\$	0.130	\$ 0.097
Diluted profit for the period attributable to ordinary equity holders of the parent	\$	0.129	\$ 0.096

Notes to and forming part of the financial statements are included on Pages 13 to 19.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME ("OCI")

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Profit for the half year		13,107	8,554
Other comprehensive income -			
Net (loss)/gain on cash flow hedge (interest rate swap)		678	-
Deferred tax	1A	<u>(203)</u>	<u>-</u>
Net other comprehensive (loss)/gain to be reclassified to profit and loss in subsequent financial periods		475	-
Total comprehensive income for the half year, net of tax		<u>13,582</u>	<u>8,554</u>
Attributable to equity holders of the parent		<u>13,582</u>	<u>8,554</u>

Notes to and forming part of the financial statements are included on Pages 13 to 19.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	31 DECEMBER 2016 \$'000	30 JUNE 2016 \$'000
CURRENT ASSETS			
Cash and cash equivalents	2A	12,307	5,208
Trade and other receivables		11,069	14,951
Inventories		3,154	3,154
Prepayments		1,473	1,810
TOTAL CURRENT ASSETS		28,003	25,123
NON-CURRENT ASSETS			
Property, plant and equipment	2B	175,699	175,037
Intangible assets	2C	46,968	47,748
Deferred tax assets		3,889	4,693
TOTAL NON-CURRENT ASSETS		226,556	227,478
TOTAL ASSETS		254,559	252,601
CURRENT LIABILITIES			
Trade and other payables		13,274	9,759
Unearned revenue		6,114	5,000
Operating lease liability		639	1,279
Interest bearing loans and borrowings	2D	3,651	2,864
Current tax liabilities		3,764	14,264
Other financial liabilities	2D	98	230
Provisions		7,777	8,525
TOTAL CURRENT LIABILITIES		35,317	41,921
NON-CURRENT LIABILITIES			
Unearned revenue		1,063	1,149
Interest bearing loans and borrowings	2D	69,439	65,233
Deferred tax liabilities		4,415	5,514
Other financial liabilities	2D	294	840
Provisions		1,004	989
TOTAL NON-CURRENT LIABILITIES		76,215	73,725
TOTAL LIABILITIES		111,532	115,646
NET ASSETS		143,027	136,955
EQUITY			
Contributed equity	3A	95,557	95,557
Reserves		322	(230)
Retained earnings		47,148	41,628
TOTAL EQUITY		143,027	136,955

Notes to and forming part of the financial statements are included on Pages 13 to 19.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

<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 2015		33,904	26,903	-	487	61,294
Profit for the period		-	8,554	-	-	8,554
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	8,554	-	-	8,554
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	3B	-	(3,073)	-	-	(3,073)
Issue of share capital	3A	60,567	-	-	-	60,567
Issue of share options		-	-	-	47	47
Balance at 31 December 2015		94,471	32,384	-	534	127,389
Balance at 1 July 2016		95,557	41,628	(749)	519	136,955
Profit for the period		-	13,107	-	-	13,107
Other comprehensive income		-	-	475	-	475
Total comprehensive income for the period		-	13,107	475	-	13,582
Transactions with owners in their capacity as owners-						
Dividends paid or provided for	3B	-	(7,587)	-	-	(7,587)
Issue of share capital	3A	-	-	-	-	-
Issue of share options		-	-	-	77	77
Balance at 31 December 2016		95,557	47,148	(274)	596	143,027

Notes to and forming part of the financial statements are included on Pages 13 to 19.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers		111,012	72,546
Payments to suppliers and employees		(71,626)	(54,595)
Net GST paid		(4,023)	(2,067)
Interest received		21	141
Interest paid		(1,694)	(873)
Income tax (paid) / received		<u>(16,907)</u>	<u>(2,909)</u>
<i>Net operating cash flows</i>		<u>16,783</u>	<u>12,243</u>
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment	2B	<u>43</u>	<u>6</u>
		<u>43</u>	<u>6</u>
Cash was disbursed to:			
Payments for property, plant and equipment	2B	(5,854)	(2,047)
Acquisition of new businesses (net of cash acquired)		<u>-</u>	<u>(110,002)</u>
		<u>(5,854)</u>	<u>(112,049)</u>
<i>Net investing cash flows</i>		<u>(5,811)</u>	<u>(112,043)</u>
Cash flows from financing activities			
Proceeds from issue of shares	3A	-	49,215
New borrowings		12,581	66,310
Repayment of borrowings		(8,867)	(5,636)
Dividend paid	3B	<u>(7,587)</u>	<u>(3,073)</u>
<i>Net financing cash flows</i>		<u>(3,873)</u>	<u>106,816</u>
Net increase / (decrease) in cash held		7,099	7,016
Cash and cash equivalents at 1 July		<u>5,208</u>	<u>2,261</u>
Cash and cash equivalents at 31 December	2A	<u><u>12,307</u></u>	<u><u>9,277</u></u>

Notes to and forming part of the financial statements are included on Pages 13 to 19.

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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 2016 and 2015 are:

	2016 \$'000	2015 \$'000
Consolidated statement of profit and loss		
Current tax	6,761	4,751
Deferred tax	(1,011)	(971)
Under (over) provision in respect of prior years plus adjustments	158	1
Income tax expense reported in the income statement	<u>5,908</u>	<u>3,781</u>
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	<u>(203)</u>	<u>-</u>

1B OPERATING SEGMENT REPORTING

For management purposes, the Group is organised into business units by reporting lines and has 5 main reporting segments -

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

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

Half year ended 31 December 2016

	KIS \$'000	CCC \$'000	SQ \$'000	TSM \$'000	Corporate \$'000	Eliminations \$'000	Consolidated \$'000
Internal revenue	1,950	-	490		1,189	(3,629)	-
External Revenue	33,345	27,198	8,804	36,528	(112)		105,763
Results							
Capital expenditure	2,327	3,066	312	149	-	-	5,854
Amortisation of customer contracts	-	78	-	702	-	-	780
Depreciation	1,025	1,243	237	2,655	2	-	5,162
Segment profit before interest and allocations -	8,223	3,343	1,792	9,982	(2,652)	-	20,688
Corporate allocations	(1,534)	(511)	(183)	(424)	2,652	-	-
Segment profit before interest and tax - continuing	6,689	2,832	1,609	9,558	-	-	20,688
Interest income							21
Interest cost and finance charges							(1,694)
Segment profit before tax - continuing operations							<u>19,015</u>

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

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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

1B OPERATING SEGMENT REPORTING (CONT)

Half year ended 31 December 2015

	KIS	CCC	SQ	TSM	Corporate	Eliminations	Consolidated
Internal revenue	1,866	-	400	-	864	(3,130)	-
External Revenue	32,097	18,675	8,475	14,958	-	-	74,205

Results

Capital expenditure	1,209	469	189	180	-	-	2,047
Amortisation of customer contracts	-	-	-	154	-	-	154
Depreciation	1,027	887	276	857	1	-	3,048

Segment profit before interest and allocations - continuing operations

	7,338	1,514	1,587	5,802	(3,174)	-	13,067
Corporate allocations	(1,225)	(209)	(286)	(1,454)	3,174	-	-

Segment profit before interest and tax - continuing

	6,113	1,305	1,301	4,348	-	-	13,067
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Interest income

Interest cost and finance charges

Segment profit before tax - continuing operations

141
(873)
12,335

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

	KIS \$'000	CCC \$'000	SQ \$'000	TSM \$'000	Corporate \$'000	Eliminations \$'000	Consolidated \$'000
At 31 December 2016							
Operating assets	43,804	52,871	15,406	138,581	8	-	250,670
Operating liabilities	84,735	8,124	3,052	7,442	-	-	103,353

At 30 June 2016

Operating assets	38,280	49,841	15,426	144,353	8	-	247,908
Operating liabilities	76,790	6,852	3,376	8,850	-	-	95,868

Reconciliation of assets and liabilities

	31 DECEMBER 2016 \$'000	30 JUNE 2016 \$'000
Segment operating assets	250,670	247,908
Deferred tax assets	3,889	4,693
Group total assets	<u>254,559</u>	<u>252,601</u>
Segment operating liabilities	103,353	95,868
Current tax liabilities	3,764	14,264
Deferred tax liabilities	4,415	5,514
Group total liabilities	<u>111,532</u>	<u>115,646</u>

1C 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 has a high concentration of turnover. Revenues are expected to be slightly higher during the first half of the year and similarly, operating profit will be higher in the first half. The other factor which will influence timing is the successful leasing of two Capricornian vessels which come off contract in Gladstone in December and in the second half of the financial year.

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 LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

SECTION 2: KEY NUMBERS - STATEMENT OF FINANCIAL POSITION

2A CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash -

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

	31 DECEMBER 2016 \$'000	30 JUNE 2016 \$'000
Cash	9,705	1,796
Cash on deposit	2,602	3,412
Total cash and cash equivalents	<u>12,307</u>	<u>5,208</u>

2B PROPERTY, PLANT AND EQUIPMENT

Acquisitions and Disposals

During the six months ended 31 December 2016, the Group acquired assets with a cost of \$5,854,000 (2015: \$2,047,000).

Assets with a net book value of \$29,000 were disposed of by the Group during the six months ended 31 December 2016 (2015: \$8,162) resulting in a net profit on disposal of \$14,000 (2015: \$2,488 loss).

There was no work in progress as at 31 December 2016 (2015: nil).

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 2016.

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

Interest bearing loans and borrowings have a fair value of \$73,099,000 (2015: \$73,130,000) and a carrying value of \$73,090,000 (2015:\$71,640,000).

Borrowing and repayment of debt

During the six month period, interest bearing borrowings of \$8,867,000 were repaid from cash raised through cashflow from operations. Drawdowns of \$12,581,000 were made to lease 4 new buses and 2 new vessels and also to fund the 2016 tax liability.

Cash flow hedge for interest rate risk

The Group entered into a 5 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 \$392,000 (2015: \$1,070,000) was recorded as a financial liability with the associated tax effect forming part of Deferred Tax Asset. The net difference in movement of \$475,000 (2015: Nil) is shown through the statement of other comprehensive income. The fair value of the interest rate swap at 31 December 2016 is \$392,000, 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 LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

SECTION 3: CAPITAL

3A EQUITY

	Contributed Equity		No. of Shares on Issue	
	For the half year ended		For the half year ended	
	2016	2015	2016	2015
	\$'000	\$'000	000's	000's
Issued and fully paid ordinary shares (all issued shares fully paid)-				
Opening balance	95,557	33,904	101,154	76,815
Conversion of Options	-	-	-	-
Issue of shares through a Share Placement in September 2015	-	38,380	-	16,004
Issue of shares through a Share Purchase Plan in October 2015	-	10,835	-	4,354
Issue of shares as purchase consideration in November 2015	-	10,848	-	3,200
Deferred tax associated with share issue expenses	-	504	-	-
Total	<u>95,557</u>	<u>94,471</u>	<u>101,154</u>	<u>100,373</u>

During the half year, there were no new shares issued.

3B DIVIDENDS

Dividends on ordinary shares declared and paid during the six month period:

Final dividend for 2016: 7.5 cents (2015: 4.0 cents)	7,587	3,073
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Dividends on ordinary shares proposed for approval (not recognised as a liability as at 31 December):

Interim dividend for 2017: 6.0 cents (2015: 4.5 cents)	6,009	4,516
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SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

SECTION 4: ACCOUNTING POLICIES

4A BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 31 December 2016 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 2016.

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 2016. New Standards effective from 1 July 2016 have not had a material impact on recognition, measurement and disclosure for the half year ended 31 December 2016.

The Group intends to early adopt AASB 9 in full from 1 January 2017 and has performed an initial assessment of the impacts to the financial report. No material changes are expected from its application, including the interest rate swap currently accounted for under AASB 139. The standard is planned to be applied retrospectively, however, the standard allows for relief from restatement of comparatives. Based on the nature of financial instruments at 31 December 2016, management have assessed that there will be no material impact on the adoption of AASB 9.

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

SECTION 5: UNRECOGNISED ITEMS

5A CAPITAL COMMITMENTS

	For the half year ended	
	2016	2015
	\$'000	\$'000
Barge	-	1,225
Vessels and buses	-	2,035
Other	-	-
	<u>-</u>	<u>-</u>

5B CONTINGENCIES

There were no contingencies of material note as at 31 December 2016 (2015: Nil).

5C EVENTS REPORTED AFTER THE REPORTING PERIOD

A fully franked dividend of \$6.0m representing 6.0 cents per share based on the current number of ordinary shares was declared by the Directors on 13 February 2017 to be paid 14 April 2017. Apart from this matter, no events have occurred subsequent to the half 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 HALF YEAR ENDED 31 DECEMBER 2016

SECTION 6: OTHER

6A CORPORATE INFORMATION

The interim consolidated financial statements of the Group for the six months year ended 31 December 2016 were authorised for issue in accordance with a resolution of Directors on 13 February 2017.

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 440 King William 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.

Following approval at the October 2016 AGM, 160,000 performance rights were issued to the Managing Director, Mr Jeffrey Ellison on 25 October, 2016. These performance rights will vest after a period of 3 years as long as the Managing Director is still employed on such date and the performance hurdle, being the achievement of a cumulative growth rate in earnings per share over the 3 year period of 12% p.a, is met.

Employee Share Options

Following approval at the October 2016 AGM, 100,000 zero priced options were issued to the Chairman, Mr Andrew McEvoy on 25 October, 2016. The options will vest after a period of 3 years as long as the Chairman is still employed on such date.

The fair value of the performance rights granted were valued at \$1.72 and \$4.11 per share respectively for those issued in September and October 2016. The total cost of \$693,400 is being expensed over the vesting period of 3 years.

The fair value of the options granted were valued at \$4.11 per share respectively. The total cost of \$411,000 is being expensed over the vesting period of 3 years.

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

Dividend yield	2.69%
Expected volatility	29.40%
Risk free interest rate	1.61%
Expected life (years)	3.0
Underlying security value	\$ 4.46

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 2016, the Group recognised \$77,000 of share-based payments expense (2015: \$46,696).

6C RELATED PARTY TRANSACTIONS

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

- Purchases and services totalling \$6,696 from Vectra Corporation Ltd, a company associated with Mr C Smerdon (2015: \$60,331);
- Purchases and services totalling \$147,400 from Pacific Marine, a company associated with Mr T Dodd (2015: \$7,090);
- Purchases and services totalling \$24,545 from Fairfax Media, a company associated with Mr A McEvoy (2015: \$22,571);

SEALINK TRAVEL GROUP LTD AND ITS CONTROLLED ENTITIES
DIRECTORS' DECLARATION

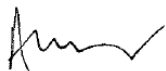
In accordance with a resolution of the directors of SeaLink Travel Company Limited, I state that:

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 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the half year ended 31 December 2016.

On behalf of the Board



SeaLink Travel Group Ltd
Andrew McEvoy
Chair
13 February, 2017

To the members of SeaLink Travel Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of SeaLink Travel Group Limited, which comprises the statement of financial position as at 31 December 2016, 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 controls as the directors determine are 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its 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 SeaLink Travel Group Limited and the entities it controlled during the half-year, 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.

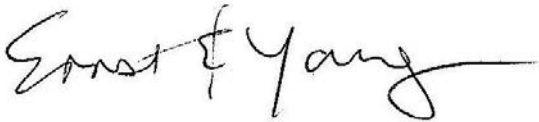
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of SeaLink Travel Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its 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*.



Ernst & Young



Nigel Stevenson
Partner
Adelaide
13 February 2017