



# SeaLink Travel Group Limited

Tax Contribution Report,  
October 2016

## Summary of Offer

<b>1</b>	<b>2016 Tax Transparency Report .....</b>	<b>4</b>
1.1	Audit Committee Statement	4
<b>2</b>	<b>SeaLink Travel Group Limited.....</b>	<b>5</b>
2.1	Our Operations	5
2.2	SeaLink Travel Group overview	6
<b>3</b>	<b>Tax Strategy and Governance.....</b>	<b>8</b>
3.1	Approach to risk management	8
3.2	Tax planning	8
3.3	Engagement with ATO	8
<b>4</b>	<b>Income taxes disclosed in the Annual Report .....</b>	<b>9</b>

# 1 2016 Tax Transparency Report

## 1.1 Audit Committee Statement

On behalf of SeaLink's Audit and Risk Committee, I am pleased to present the inaugural Tax Transparency Report for 2016. SeaLink is a listed public company in the top 300 on the ASX and welcomes the opportunity to present a report on taxes paid in Australia and the Company's tax strategy. SeaLink currently has no direct dealings overseas and therefore is limited to one tax jurisdiction.

In this respect, we have adopted the recommendations of Part A of the Board of Tax's voluntary "Tax Transparency Code" ("**TTC**"). SeaLink is considered to be a 'medium' business for the purposes of the TTC because its Australian turnover was greater than \$100 million and less than \$500 million during the 2016 year. We support the adoption of this voluntary code and believe it provides users with a comprehensive picture of SeaLink's tax profile.

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

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

F Hele  
Chair – Audit and Risk Committee  
October, 2016

## 2 SeaLink Travel Group Limited

### 2.1 Our Operations

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

The SeaLink business was founded in 1989 with the purchase of a ferry service linking Kangaroo Island with the South Australian mainland. SeaLink now has operations across four states and the Northern Territory operating under the well-recognised brands of "SeaLink" and "Captain Cook Cruises", servicing 10 Islands and 12 destinations.

SeaLink owns and operates a fleet of 73 ferries and other maritime craft (with a further 3 under construction), carrying over 8 million passengers per year. Additionally, SeaLink operates a fleet of 30 coaches, buses and other passenger vehicles. SeaLink also holds licences, leases and agreements which enable it to operate services and access port facilities. SeaLink currently has over 1,100 staff located around Australia.

SeaLink Travel Group successfully listed on the Australian Securities Exchange (ASX) on the 16<sup>th</sup> October 2013 (ASX code, SLK) and has a market capitalisation of approximately \$470 million.

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

For more information, please visit [www.sealinktravelgroup.com.au](http://www.sealinktravelgroup.com.au)

## 2.2 SeaLink Travel Group overview

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



### Tourism

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

## Transport Services

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

## Technology

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

## 3 Tax Strategy and Governance

### 3.1 Approach to risk management

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

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

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

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

### 3.2 Tax planning

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

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

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

### 3.3 Engagement with ATO

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

## 4 Income taxes disclosed in the Annual Report

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

SeaLink calculates the ETR by dividing ITE by the net profit before tax. For 2016, the ETR for SeaLink was 30.1%. Set out below is a calculation –

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

<b>ITE reconciliation to Accounting Profit:</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>\$'000</b>	<b>ETR</b>	<b>\$'000</b>	<b>ETR</b>
Net profit before tax	31,972		13,396	
ITE calculated at 30% of operating profit	9,592	30.0%	4,019	30.0%
Other (entertainment etc)	21	0.1%	20	0.1%
Non-deductible expenses (goodwill / share option cost)	9	0.0%	7	0.1%
Amounts under / (over) provided in prior years	<u>1</u>	0.0%	<u>1</u>	0.0%
ITE on profit before tax per annual report	<u>9,623</u>	<b>30.1%</b>	<u>4,047</u>	<b>30.2%</b>
<b>ITE reconciliation to cash taxes paid and Current Tax provision:</b>		<b>2016</b>		<b>2015</b>
		<b>\$'000</b>		<b>\$'000</b>
Opening balance of Current tax provision		1,518		1,705
Tax paid - 2015	(2,793)		(1,692)	
Tax Paid - 2016	<u>(5,365)</u>		<u>(2,388)</u>	
<b>Cash taxes paid per cashflow statement</b>		<b>(8,158)</b>		<b>(4,080)</b>
Current year tax liability **		16,029		3,966
Current tax liability from acquisitions/other		<u>4,875</u>		<u>(73)</u>
<b>Closing balance of current tax provision</b>		<b><u>14,264</u></b>		<b><u>1,518</u></b>

<b>** Current year tax liability arises from</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
ITE on profit before tax per annual report	9,623	4,047
Under (over) provision in respect of prior year	(1)	(1)
Timing differences recognised in deferred tax **	<u>6,407</u>	<u>(80)</u>
<b>Current year tax liability</b>	<b><u>16,029</u></b>	<b><u>3,966</u></b>

\*\* Major timing difference for 2016 relate to “utilisation fees” associated with a contract in Gladstone where a tax payment arises where vessels are “de-mobilised”.

#### 5 year summary of Effective tax rates – Continuing Operations

<b>SeaLink Annual Report</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
Net profit before tax	5,535	7,912	10,277	13,396	31,972
Income Tax Expense	1,700	889	3,044	4,047	9,623
Effective Tax Rate	30.7%	***11.2%	29.6%	30.2%	30.1%

\*\*\* For the 2013 year, there was a prior year adjustment of \$1.33m to Income Tax Expense relating to a past tax consolidation benefit.