
helloworld TRAVEL LIMITED

# Annual Report

# 2017

Helloworld Travel Limited and Controlled Entities
Annual Report for the year ended 30 June 2017

helloworld
TRAVEL LIMITED

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# CORPORATE INFORMATION

## Directors

Garry Hounsell (Chairman)
Andrew Burnes (Chief Executive Officer)
Cinzia Burnes
Peter Spathis
Mike Ferraro
Andrew Finch

## Company Secretary

Michael Burnett

## Registered and principal office

Level 10
338 Pitt Street
Sydney NSW 2000
Telephone: +61 2 8229 4000
Facsimile: +61 2 8290 4009

## Auditor

PricewaterhouseCoopers (PwC) Australia
2 Riverside Quay
Southbank VIC 3006

## Stock exchange

ASX Limited
Level 4
20 Bridge Street
Sydney NSW 2000

## ASX code

ASX code: HLO

## Share registry

Computershare
Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
Telephone: +61 3 9415 5000
Facsimile: +61 3 9473 2500

## Website

www.helloworldlimited.com.au

# GLOSSARY

The following terms have been used through this Annual Report:

| | |
|---|---|
| **EBITDA** | Earnings before interest expense, tax, depreciation and amortisation |
| **AGM** | Annual General Meeting |
| **AOT** | AOT Group Pty Ltd and it's controlled entities |
| **ASIC** | Australian Securities & Investments Commission |
| **ASX** | Australian Securities Exchange |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **Company** | The parent entity, Helloworld Travel Limited |
| **EPS** | Earnings per share |
| **FAR** | Fixed Annual Remuneration |
| **FY14** | Financial Year ended 30 June 2014 |
| **FY15** | Financial Year ended 30 June 2015 |
| **FY16** | Financial Year ended 30 June 2016 |
| **FY17** | Financial Year ended 30 June 2017 |
| **FY18** | Financial Year ended 30 June 2018 |
| **GM** | General Manager |
| **Group** | The Helloworld Travel Group, comprising Helloworld Travel Limited and its controlled entities |
| **HTS** | Helloworld Travel Services Holdings Pty Ltd and its subsidiaries |
| **HTSH** | Helloworld Travel Services Holdings Pty Ltd |
| **KMP** | Key Management Personnel |
| **LTIP** | Long Term Incentive Plan |
| **MTA** | Mobile Travel Holdings Pty Limited and its subsidiaries |
| **Qantas** | Qantas Airways Limited |
| **QBT** | QBT Pty Limited |
| **QH** | Qantas Holidays Limited |
| **SMEs** | Small and medium enterprises |
| **STIP** | Short Term Incentive Plan |
| **TTV** | Total Transaction Value |

# CHAIRMAN'S REPORT

> "On behalf of the Board of Directors I am delighted to be presenting my first report as Chairman of Helloworld Travel Limited."

It has been a year of significant progress and positive results for Helloworld Travel Limited (HLO).

The merger of HLO and AOT has been the catalyst for the business turnaround that we have seen this year and we will continue to focus and drive the merged business forward to even greater heights. A number of strategic acquisitions have been successfully completed this year as well as our continued investment in technologies, the roll out of our co-investment strategy, and our continued focus on the Helloworld Travel family.

We have undergone substantial work on our brand, with a new brand identity, tagline and jingle launched for our franchise networks. Personally seeing it unveiled at the Owner Managers Conference (OMC) in May on the Gold Coast was a highlight.

## Strength in 2016/17

For the year ended 30 June 2017, Helloworld Travel Limited achieved an EBITDA of $55.2 million, an increase of 118% from FY2016.

TTV increased 3.1% to $5.9 billion for the year ended 30 June 2017.

Revenue was $326.4 million, an 8.6% increase on the previous year.

Profit before income tax was $31.0 million for the year ended 30 June 2017, an eight fold increase on the year prior of $3.5 million.

Net profit after tax for the year was $21.6m, a $19.9m increase on $1.7m in the prior year.

Basic earnings for the year was a profit of 18.8 cents per share, building on the steps taken to return the Group to profitability in the previous year. The Group has returned 14.0 cents per share as dividends for the year, building on recommencement of paying share dividends in the previous year (2.0 cents per share).

Further details of the financial performance of the Group are included in the Operating and Financial Review on pages 16 to 29.

This year Helloworld Travel Limited was again recognised as big winners at the 2017 Australian Federation of Travel Agents (AFTA) National Travel Industry Awards (NTIA) winning the highly coveted 'Best Travel Agency Group' (50 outlets or more) for the second year running.

Our Wholesale brands also took home big awards with Sunlover Holidays receiving the 'Best Wholesaler Australian Product' award also for the second year running and Qantas Holidays & Viva Holidays awarded 'Best Wholesaler International Product'. Members of the Helloworld Travel Group took home an additional 6 awards this year in Australia.

In New Zealand, Go Holidays was awarded the 2016 TAAANZ NITA 'Best Wholesaler' award for the third year running.

## Looking ahead

We have started this financial year in a position of strength and have a very solid foundation for the future. We are poised to build on the recent successes by identifying and harnessing opportunities as we continue to achieve positive results for the future of the company.

On behalf of the Board I would like to take this opportunity to thank the Senior Leadership Group, all of our network members, suppliers, industry partners, staff and shareholders for your continued support as we move forward with the long-term success of this business.

I would also like to thank and acknowledge my fellow Directors for their invaluable contribution over the past year and their ongoing commitment to the business.

Through the leadership of the Board and Senior Leadership Group in conjunction with our staff, network members and stakeholders we are well positioned to build on our success and continue the momentum into FY18. We are confident that we will see further positive results across the Group as we work on the initiatives already in place while developing the best practice strategies going forward to maximise the potential and the value of the business.

I am pleased to be a part of such a dynamic company and look forward to continuing the journey as we achieve great results for all of the Helloworld Travel Limited Group.

Garry Hounsell

Chairman
Helloworld Travel Limited
Melbourne, 23 August 2017

# CHIEF EXECUTIVE OFFICER'S REPORT

"I am delighted to present this report and the results for the year ended 30 June 2017 as CEO of Helloworld Travel Limited."

## A year of strength and success

### Results

FY17 has been a year of strong business performance, revenue growth and significant cost reduction through the continuation of the integration of the Helloworld Travel and AOT Group businesses. TTV increased to $5.9 billion, we achieved solid revenue growth of 8.6% to $326.4 million as a result of both TTV growth and margin improvement and a strong focus on profitable growth. We have productively restructured our operating costs across all segments and have over-delivered on the previously identified merger synergies and cost reduction program.

As a result, Helloworld Travel Limited has successfully implemented a significant business turnaround with a reported EBITDA of $55.2 million, an increase of 118% or $29.9 million from the prior year. The net profit after tax attributable to owners was $21.5 million, an increase of 1,116% or $19.8 million from the prior year. As a result, our Earnings Per Share was 18.8 cents, which enabled us to declare a final dividend of 8.0 cents per share to our shareholders, bringing our total dividends in FY17 to 14.0 cents per share, fully franked. In FY16, we declared dividends of 2.0 cents per share, which was the first dividend payment since 2013.

From a segment perspective, the Australia, New Zealand and Rest of World segments have all delivered EBITDA growth compared with the prior year. Our results in Australia reflect strong improvement in margins, productivity and right sizing of the cost base. New Zealand has delivered strong revenue growth from its wholesale brands and larger retail member network and the Rest of World segment has benefited from its cost base restructure.

We have continued to focus on implementing key technology initiatives to further align our bricks and mortar franchise network with online distribution platforms, creating an integrated 'clicks and mortar' travel solution. These developments include the re-launch of the helloword.com.au site in September 2016 and the launch of the Resworld agency portal in October 2016. We will continue to build on these and other technologies to provide the best experiences for customers, staff and consultants throughout the network to drive greater productivity and increased yield outcomes.

The continued integration of the Helloworld Travel and the AOT Group businesses has also resulted in improved economies of scale and productivity efficiencies for our wholesale and inbound divisions with the introduction of a new online booking tool, 24/7 call centre service for customer care and booking queries, and an enhanced accommodation portal that provides a more comprehensive product range and easier booking process. These developments have ultimately increased our product offerings and customer service support.

We have also achieved success in our corporate businesses, with QBT in Australia securing major new accounts including the Northern Territory Government and PwC during FY17. In August 2017 Helloworld Travel Limited's Hotel Program Management business, "AOT Hotels", successfully re-tendered for the Whole of Australian Government ("WoAG") Accommodation Program Management ("APM") contract and entered into a new Deed with the Commonwealth for the on-going provision of the APM services, securing the contract for a period of 3 years with further extension options.

## Brand

The retail network has increased to over 2,000 members across Australia and New Zealand, reflecting the stabilisation of our pre-existing network, the addition of MTA in Australia and the addition of the World Travellers Group in New Zealand to our network.

We have strengthened the relationship with our member networks, invested in new consumer marketing, advertising and sponsorships, and through our successful rebrand to Helloworld Travel – The Travel Professionals with a new tagline, jingle and in-store branding. Our recent rebrand was very well received by members, gaining immediate traction with eight stores converting to fully branded Helloworld Travel outlets in July 2017.

## Awards

In July 2017 the Helloworld Travel Group was again recognised with multiple awards at the 2017 Australian Federation of Travel Agents (AFTA) National Travel Industry Awards (NTIA). Helloworld Travel was awarded the Best Travel Agency Group (50 outlets or more) for the second year running while our wholesale business, Sunlover Holidays was recognised as the Best Wholesaler Australian Product, also for the second year running and Qantas Holidays and Viva Holidays were recognised as the best Wholesaler International Product.

Helloworld Travel agency network members were also recognised as winners across multiple categories with numerous awards across the group. In New Zealand, Go Holidays was awarded the 2016 TAAANZ NITA 'Best Wholesaler' award for the third year running.

## Investment

We have now rolled out the co-investment strategy as announced at our Owner Managers Conference in 2016 and have made some significant investments through the strategy. We have acquired a minority shareholding in Newcastle based Hunter Travel Group (HTG) that operate seven fully branded Helloworld Travel stores in Newcastle and surrounding areas together with two Cruise Travel Centres. The HTG business employs over 100 staff and has TTV of over $120 million per annum. Aligned with the partnership was an additional agreement to sell a 75% stake in HLO's seven wholly owned retail outlets to HTG. We have also acquired a minority shareholding in Queensland based company Cooney Investments Pty Ltd, operators of branded network member agencies Helloworld Travel Mackay and Helloworld Travel Mount Pleasant, and also Hosted Journeys Group Travel and Events products. Owned and operated by Managing Director John Cooney, the two Queensland based agencies have a successful track record and history with the Helloworld Travel group, having been members of the branded network for 31 years.

## Dividend

The Board has resolved that the company will pay a final dividend of 8.0 cents per share. The dividend is to be paid on 20 September 2017. This brings the total dividends declared, fully franked, for the current year to 14.0 cents per share compared with 2.0 cents per share in the prior year.

## Outlook

The outlook is very positive. Business fundamentals are heading in the right direction in our key segments with demand for our integrated service offering continuing to develop and grow. We will continue to focus on increasing revenue and margins and maximising efficiencies in operations across the Group.

We remain focused on delivering results for shareholders, agents, partners and consumers with the objective to future proof our agents and the business through technology, training, product and profile supported by an omni-channel strategy.

We expect to improve our current year performance for the year ended 30 June 2018 as we are well positioned for sustainable long term growth.

We are proud of the developments we have made so far in fostering a strong and unified Helloworld Travel family. We are listening to our stakeholders and doing all we can to build a supportive and vibrant future for us all. Our members are happy with the direction and new initiatives and improvements in the business. Especially the new and refreshed brand identity in our fully branded agencies.

I would like to thank the many people involved in Helloworld Travel Limited who are integral to our success, the board, our senior leadership group, all of our agency network members, our wonderful staff, our supplier partners and our business partners for their support and commitment to the business over the past year of evolution and continued development.

The outlook is exciting for Helloworld Travel and I look forward to working together to harness the many opportunities for the business that lie ahead.

**Andrew Burnes**

Chief Executive Officer and Managing Director
Helloworld Travel Limited
Melbourne, 23 August 2017

# FINANCIAL PERFORMANCE SUMMARY

## FOR THE YEAR ENDED 30 JUNE 2017

## Summary Group Results

| | For the year ended 30 June 2017 $'000 | For the year ended 30 June 2016 $'000 | Change $'000 | Change % |
|---|---|---|---|---|
| Total transaction value (TTV) [1] | 5,872,329 | 5,694,338 | 177,991 | 3.1% |
| Revenue | 326,433 | 300,549 | 25,884 | 8.6% |
| EBITDA [2] | 55,179 | 25,290 | 29,889 | 118% |
| Profit before income tax expense | 31,037 | 3,450 | 27,587 | 800% |
| Profit after income tax expense attributable to owners | 21,510 | 1,699 | 19,811 | 1,166% |

| | For the year ended 30 June 2017 Cents | For the year ended 30 June 2016 Cents | Change Cents | Change % |
|---|---|---|---|---|
| Basic earnings per share | 18.8 | 1.9 | 16.9 | 889% |
| Diluted earnings per share | 18.4 | 1.9 | 16.5 | 868% |
| Interim dividend per share | 6.0 | - | 6.0 | N/A |
| Final dividend per share | 8.0 | 2.0 | 6.0 | 300% |

| RECONCILIATION OF EBITDA TO PROFIT BEFORE INCOME TAX | For the year ended 30 June 2017 $'000 | For the year ended 30 June 2016 $'000 | Change $'000 | Change % |
|---|---|---|---|---|
| EBITDA [2] | 55,179 | 25,290 | 29,889 | 118% |
| Depreciation and amortisation expense | (21,076) | (18,459) | (2,617) | (14.2%) |
| Finance expense | (3,066) | (3,381) | 315 | 9.3% |
| Profit before income tax expense | 31,037 | 3,450 | 27,587 | 800% |

1 Total Transaction Value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the Group, as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. Total TTV does not represent Group cash inflows as some transactions are settled directly between the customer and the supplier.

2 EBITDA is earnings before interest expense, tax, depreciation and amortisation. EBITDA is a financial measure which is not prescribed by Australian Accounting Standards but is the measure used by the Board to assess the financial performance of the Group and operating segments.

## Shareholder returns

The Board has declared a final dividend of 8.0 cents per share for the 2017 financial year. This results in total dividends declared of 14.0 cents per share for the 2017 financial year, compared with 2.0 cents per share for the 2016 financial year. All dividends are fully franked.

## Explanation of results

This information should be read in conjunction with the Director's Report, Financial Report and Auditor's Report for the year ended 30 June 2017 and any public announcements made by the Company since that time.

# DIRECTORS' REPORT

The Directors of Helloworld Travel Limited (Helloworld Travel), present their Report together with the Financial Statements of the Consolidated Entity (Group) being Helloworld Travel Limited and the entities that it controlled at the end of, or during, the year ended 30 June 2017 and the Independent Auditor's Report.

On 10 April 2017, Helloworld Limited held a General Meeting and its shareholders resolved to change the name of the listed entity from Helloworld Limited to Helloworld Travel Limited.

## Directors

The Directors of the Company in office at any time during or since the end of the financial year follows:

### Garry Hounsell B Bus (Acc), FCA, FAICD

Non-Executive Director and Chairman

Appointment

Mr Hounsell was appointed to the Board and as Chairman on 4 October 2016.

Experience and Expertise

Apart from his extensive director experience on a wide range of highly successful Boards, Garry was formerly Senior Partner of Ernst & Young, Chief Executive Officer and Country Managing Partner of Arthur Andersen, a Board member of Freehills (now Herbert Smith Freehills) as well as Deputy Chairman of the Board of Mitchell Communication Group Limited.

Mr Hounsell is a Fellow of the Australian Institute of Company Directors and the Chartered Accountants in Australia and New Zealand.

Other current directorships of listed entities:
- Treasury Wine Estates Limited (since 2012).
- Dulux Group Limited (since 2010).
- Spotless Group Holdings Limited (since 2014) and Chairman (since February 2017).

Former directorships of listed entities in the last 3 years:
- Integral Diagnostics Limited (2015 to 2017).
- Chairman of PanAust Limited (2008 to 2015).
- Qantas Airways Limited (2005 to 2015).

Special Responsibilities:
- Chairman of the Board.
- Chairman of the Remuneration Committee.
- Chairman of the Nominations & Governance Committee.

Interests in Shares:
- A beneficial and or legal interest in 59,000 fully paid ordinary shares.

## Andrew Burnes LLB, B Com

Chief Executive Officer and Managing Director

### Appointment

Mr Burnes was appointed Chief Executive Officer and Managing Director of Helloworld Travel Limited and to the Board on 1 February 2016.

### Experience and Expertise

Upon completing his studies in Law and Commerce at Melbourne University, Mr Burnes was employed by Blake Dawson Waldron where he completed his articles and worked as a solicitor.

On 1 November 1987, Mr Burnes founded The Australian Outback Travel Company (The AOT Group) at the age of 26. After the merger of AOT and Helloworld in February 2016, he was appointed Chief Executive Officer and Managing Director of Helloworld Travel Limited on 1 February 2016.

Mr Burnes was appointed as the Honorary Federal Treasurer of the Liberal Party of Australia in July 2015. Prior to his appointment he was the State Treasurer of the Victorian Liberal Party from May 2009 to early 2011. He was appointed as a Director of Tourism Australia in July 2004 serving as Deputy Chairman from 2005 to 2009. Mr Burnes chaired the Audit and Finance Committee of Tourism Australia during this period, was a Trustee of the Travel Compensation Fund from 2005 to 2009 and a Board member of the Australian Tourism Export Council ('ATEC') from 1998 and served as the organisation's National Chairman from 1999 to 2003.

### Other current directorships of listed entities:

- Nil

### Former directorships of listed entities in the last 3 years:

- Nil

### Special Responsibilities:

- Chief Executive Officer and Managing Director

### Interests in Shares:

- A legal and beneficial interest in 12,858,058 fully paid ordinary shares.
- In conjunction with Mrs Burnes a beneficial interest in 18,490,105 fully paid ordinary shares.

## Cinzia Burnes

Group General Manager – Wholesale & Inbound, Executive Director

### Appointment

Mrs Burnes was appointed Group General Manager – Wholesale and Inbound, Helloworld Travel Limited and to the Board on 1 February 2016.

### Experience and Expertise

Mrs Burnes brings extensive sector and management experience to the Board.

Mrs Burnes has qualifications in Tourism and Commerce from the Metastasio Institute of Commerce (Rome).

In 1982, she commenced her career in travel and after working as a wholesaler in Italy for 9 years she has played a pivotal role over 26 years in growing AOT from a regional safari operator into one of Australasia's leading travel distribution businesses with 550 staff in 15 locations worldwide with annual revenues in excess of $360 million. The AOT Group was privately owned by Andrew and Cinzia Burnes until its merger with Helloworld Travel Limited in February 2016.

Mrs Burnes was a Director of Tourism Victoria from 2013 to 2015. She has also served as a Board member of Health Services Australia from 2005 to 2007 and the Australian Tourist Commission from 2001 to 2004.

### Other current directorships of listed entities:

- Nil

### Former directorships of listed entities in the last 3 years:

- Nil

### Special Responsibilities:

- Group General Manager – Wholesale & Inbound

### Interests in Shares:

- A legal and beneficial interest in 12,638,014 fully paid ordinary shares.
- In conjunction with Mr Burnes a beneficial interest in 18,490,105 fully paid ordinary shares.

## Peter Spathis FCPA

Non-Executive Director

### Appointment

Mr Spathis was appointed to the Board on 18 May 2015. He previously served as a director from June 2002 to November 2012.

### Experience and Expertise

Mr Spathis is an accountant and registered tax agent. Currently a corporate executive with the Consolidated Travel group of companies, he has responsibility for the financial management of that group. Having begun his career in the audit and taxation fields in private practice, he has developed a special interest in the travel industry where he has held a number of senior financial positions since 1990. With more than 25 years' experience in finance and accounting, he has accumulated significant and valuable experience in the commercial aspects of the travel industry.

### Other current directorships of listed entities:

- Nil

### Former directorships of listed entities in the last 3 years:

- Nil

### Special Responsibilities:

- Member of the Audit & Risk Committee and formerly Acting Chairman of the Audit Committee.
- Member of the Remuneration Committee.
- Member of the Nominations & Governance Committee.

### Interests in Shares:

- A beneficial interest in 83,333 fully paid ordinary shares.

## Mike Ferraro LLB (Hons)

Non-Executive Director

### Appointment

Mr Ferraro was appointed to the Board on 1 January 2017.

### Experience and Expertise

Mr Ferraro is currently Chief Executive Officer and Managing Director of Alumina Limited, having been appointed on 1 June 2017. He was previously a non-executive director of Alumina Limited. Mr Ferraro was previously a partner and member of the executive management team at global law firm Herbert Smith Freehills (HSF) and global head of the Corporate group at HSF. Prior to that he was chief legal counsel at BHP Billiton Limited from 2008 to mid 2010.

### Other current directorships of listed entities:

- Alumina Limited

### Former directorships of listed entities in the last 3 years:

- Nil

### Special Responsibilities:

- Chairman of the Audit & Risk Committee.
- Member of the Remuneration Committee.
- Member of the Nominations & Governance Committee.

### Interests in Shares:

- Nil

## Andrew Finch B Com, LLB, LLM (Hons 1), MBA

Non-Executive Director

### Appointment

Mr Finch was appointed to the Board on 1 January 2017.

### Experience and Expertise

Mr Finch is General Counsel and Company Secretary at Qantas Airways Limited and is a member of the Qantas Group Management Committee. He was previously a partner with Allens Linklaters (including 2 years in London) where he specialized in mergers and acquisitions, equity capital markets and general corporate advice.

### Other current directorships of listed entities:

- Nil

### Former directorships of listed entities in the last 3 years:

- Nil

### Special Responsibilities:

- Member of the Audit & Risk Committee.
- Member of the Remuneration Committee.
- Member of the Nominations & Governance Committee.

### Interests in Shares:

- Nil

## Rob Marcolina

Former Non-Executive Director and former Acting Chairman

Mr Marcolina served as a Non-Executive Director from 18 September 2015 until his resignation on 31 December 2016. He was Acting Chairman from 20 November 2015 to 4 October 2016.

## Andrew Cummins

Former Non-Executive Director

Mr Cummins served as a Non-Executive Director from September 2010 and did not stand for re-election at the company's 2016 Annual General Meeting held on 22 November 2016.

## Michael Burnett B Com, CA

Chief Financial Officer and Group Company Secretary

Mr Burnett joined Helloworld Travel Limited in April 2016 from the Transurban Group where he had been their Chief Financial Officer in North America since August 2013. Before this role he was Transurban Group's General Manager of Finance for six years. Over his time at Transurban he played key roles in the financial management of the Group including capital and debt management, large acquisitions and mergers, and more recently, the development, restructuring and management of businesses in the USA.

Prior to joining Transurban, Mr Burnett spent three and half years in various global finance roles at CSL Behring. He completed his professional qualifications at PricewaterhouseCoopers in Melbourne, before being seconded to London, where he spent eight years before returning to Melbourne.

Mr Burnett is a Chartered Accountant and holds a Bachelor of Commerce from the University of Melbourne.

## Directors' meetings

During the year, 8 meetings of the Board, 4 meetings of the Audit & Risk Committee, 3 meetings of the Remuneration Committee and 1 meeting of the Nominations & Governance Committee were held.

Attendance at Board and Board Committee meetings during FY17 is set out in the table below:

| | Board | | Audit & Risk Committee | | Remuneration Committee | | Nominations & Governance Committee | |
|---|---|---|---|---|---|---|---|---|
| DIRECTOR | A | B | A | B | A | B | A | B |
| Garry Hounsell | 6 | 6 | 3 | 3 | 2 | 2 | 1 | 1 |
| Rob Marcolina | 5 | 5 | 2 | 1 | 2 | 2 | - | - |
| Andrew Cummins | 4 | 3 | 2 | 2 | 2 | 2 | - | - |
| Peter Spathis | 8 | 8 | 4 | 4 | 3 | 3 | 1 | 1 |
| Andrew Burnes | 8 | 8 | 4 | 4 | 3 | 3 | 1 | 1 |
| Cinzia Burnes | 8 | 8 | - | - | - | - | 1 | 1 |
| Mike Ferraro | 3 | 3 | 2 | 2 | 1 | 1 | 1 | 1 |
| Andrew Finch | 3 | 3 | 2 | 1 | 1 | 1 | 1 | 1 |

Column A: Indicates the number of scheduled and ad-hoc meetings held during the period the Director was a member of the Board and/or Committee or was invited to attend.

Column B: Indicates the number of scheduled and ad-hoc meetings attended by the Director during the period the Director was a member of the Board and/or Committee or attended by invitation.

## Committee membership

At the date of this report, the Company has an Audit & Risk Committee, a Remuneration Committee and a Nominations & Governance Committee of the Board.

During the year, the members of the Committees were:

## Audit & Risk Committee

Mike Ferraro (Chairman and member from 1 January 2017)

Andrew Finch (from 1 January 2017)

Peter Spathis (member for the full year and Acting Chairman to 31 December 2016)

Rob Marcolina (until 31 December 2016)

Andrew Cummins (until 22 November 2016)

## Remuneration Committee

Garry Hounsell (Chairman from 1 January 2017)

Rob Marcolina (member until 31 December 2016 and Chairman from 23 November 2016 until 31 December 2016)

Andrew Cummins (member and Chairman until 22 November 2016)

Andrew Finch (from 1 January 2017)

Peter Spathis

Mike Ferraro (from 1 January 2017)

## Nominations & Governance Committee (established on 28 October 2016)

Garry Hounsell (Chairman)

Rob Marcolina (until 31 December 2016)

Andrew Cummins (until 22 November 2016)

Peter Spathis

Andrew Burnes

Cinzia Burnes

Mike Ferraro (from 1 January 2017)

Andrew Finch (from 1 January 2017)

## Retirement in office of Directors

In accordance with the Company's Constitution and the ASX Listing Rules, Mr Mike Ferraro and Mr Andrew Finch, having been appointed Directors by the Board subsequent to the 2016 AGM, will automatically retire and stand for election by shareholders at the 2017 AGM.

In addition, and in accordance with the company's constitution, the longest serving director will retire at the 2017 AGM.

## Dividends

During the current financial year, the following 100% franked dividends were paid on fully paid Helloworld Travel Limited ordinary shares:

| Type | Cents per share | Dividend amount $m |
|---|---|---|
| Final 2016 dividend, paid on 16 September 2016 | 2.0 | 2.2 |
| Interim 2017 dividend, paid on 20 March 2017 | 6.0 | 7.2 |
| **Total dividends paid during the current year** | **8.0** | **9.4** |

There were no dividends paid during the prior financial year ended 30 June 2016.

On the 23 August 2017, Helloworld Travel declared a fully franked final dividend of 8.0 cents per share. This brings the total dividends declared in relation to the year ended 30 June 2017 to 14.0 cents per ordinary share.

The final dividend for the year ended 30 June 2017 will be paid during the 2018 financial year out of 30 June 2017 current year profits, but is not recognised as a liability at year end.

Further detail on dividends paid or proposed during the year ended 30 June 2017 is set out in note 7 to the financial statements.

## Earnings per share

Basic earnings per share was 18.8c (2016: 1.9c). Diluted earnings per share was 18.4c (2016: 1.9c)

The increase in basic earnings per share reflects the strong net profit after tax performance in the current year. This reflects the full year inclusion of the AOT business and the implementation of the AOT merger synergies and cost reduction program.

In the current year, Helloworld Travel Limited issued new shares under the franchise loyalty bonus program to certain franchisees and also issued shares under the new long term incentive plan to certain members of the senior management team. As these shares are subject to future years vesting conditions, the shares issued under both these arrangements have been excluded from the basic earnings per share calculation, but included in the diluted earnings per share calculation.

## Principal activities

The principal activities during the year of the entities in the Group were the selling of international and domestic travel products and services and the operation of a franchised network of travel agents.

Helloworld Travel Limited is a leading Australian and New Zealand travel distribution company comprising retail franchise travel businesses, destination management services (for inbound Australian, New Zealand and South Pacific travel), air ticket consolidation, wholesale leisure (domestic and outbound), corporate and online operations. Retail franchise operations including Helloworld Travel, comprising of Australia's largest network of branded franchised travel agents, as well as the Helloworld Travel associate network, Helloworld Business Travel, My Travel Group and Mobile Travel Agents (MTA).

The Group has three main operating segments within its structure based on the geographical location of where the business is managed:

- Australia Segment, consisting of Australian operations;
- New Zealand Segment, consisting of New Zealand operations; and
- Rest of the World Segment, consisting of Insider Journeys, Tourist Transport Fiji (TTF), Inbound Fiji and Qantas Vacations.

Helloworld Travel operations are located in Australia, New Zealand, Fiji, South East Asia, India, the United States of America, the United Kingdom and Europe.

The Group's brands include Helloworld, Helloworld Travel, helloworld.com.au, Qantas Holidays, Viva! Holidays, AOT Inbound, ATS Pacific, ETA, Insider Journeys, Air Tickets, Sunlover Holidays, GO Holidays, QBT, APX Travel Management and Qantas Vacations (USA).

# OPERATING AND FINANCIAL REVIEW

## Summary of results

| | FY17 $000's | FY16 $000's | Change $000's | Change % |
|---|---|---|---|---|
| **Total Transaction Value (TTV)** | **5,872,329** | **5,694,338** | **177,991** | **3.1%** |
| **Revenue** | **326,433** | **300,549** | **25,884** | **8.6%** |
| Operating expenses | (272,113) | (275,259) | 3,146 | 1.1% |
| Equity accounted profits | 859 | - | 859 | N/A |
| **EBITDA** | **55,179** | **25,290** | **29,889** | **118%** |
| Depreciation/amortisation expense | (21,076) | (18,459) | (2,617) | (14.2%) |
| Finance expense | (3,066) | (3,381) | 315 | 9.3% |
| **Profit before income tax expense** | **31,037** | **3,450** | **27,587** | **800%** |
| Profit after income tax expense attributable to owners | 21,510 | 1,699 | 19,811 | 1,166% |
| **Revenue margin %** | **5.6%** | **5.3%** | **0.3%** | **5.7%** |
| **EBITDA margin %** | **16.9%** | **8.4%** | **8.5%** | **101%** |

| | FY17 Cents | FY16 Cents | Change Cents | Change % |
|---|---|---|---|---|
| **Basic earnings per share** | **18.8** | **1.9** | **16.9** | **889%** |
| **Diluted earnings per share** | **18.4** | **1.9** | **16.5** | **868%** |
| Interim dividend per share | 6.0 | - | 6.0 | N/A |
| Final dividend per share | 8.0 | 2.0 | 6.0 | 300% |
| **Total dividends per share** | **14.0** | **2.0** | **12.0** | **600%** |

The Board assesses the performance of the group and its segments based on several measures including TTV, Revenue and EBITDA (being earnings before interest expense, tax, depreciation and amortisation), net profit before tax and associated key ratios.

Total Transaction Value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the Group, as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. Total TTV does not represent the Group cash inflows as some transactions are settled directly between the customer and the supplier.

Revenue margin has been calculated as revenue as a percentage of TTV. EBITDA margin has been calculated as EBITDA as a percentage of revenue.

# YEAR IN REVIEW

## Overview of results

The Group has delivered a $19.8 million or 1,166% increase in its profit attributable to owners for the year ended 30 June 2017. During FY17, the Group achieved a significant business performance turnaround, growing revenue and significantly reducing cost base, whilst integrating the Helloworld Travel and AOT businesses. Helloworld Travel is now in a stronger position to deliver future benefits to customers, agents, suppliers and shareholders.

The increase in profit was underpinned by TTV growth of 3.1% to $5,872.3 million and revenue growth of 8.6% to $326.4 million. The Group result reflects the full year benefits from the merger with the AOT Group on 1 February 2016. The effect of declining airfares experienced across the industry has been partially offset by increased volumes and better contracting with suppliers and partners. In addition, revenues this year were also affected by the exit from the unprofitable retail online arrangement with Orbitz.

Revenue margin was 5.6%, an increase of 0.3% reflecting the Groups renewed focus on margin growth. The margin has benefited from a better mix of products reflecting the full year effect of the broader portfolio following the merger with AOT Group.

Significant progress was also made on reducing the cost structure during the year. Following the merger with the AOT Group, Helloworld Travel identified $17.6 million of annualised merger synergies and cost reductions. By 30 June 2017, Helloworld Travel has exceeded this commitment by actioning $18.6 million of identifiable annualised merger synergies and cost reductions at a lower one off cost of $2.5 million. This, along with a greater discipline towards all costs, has significantly benefited the FY17 result.

As a result of these revenue and cost improvements, the Group has been able to deliver a $29.9 million or 118% increase in EBITDA to $55.2 million. From a segment perspective, the Australia segment EBITDA was up 93.4% to $50.3 million; the New Zealand segment was up 229% to $6.2 million; and the Rest of World segments loss improved by 48.2% to a loss of $1.4 million. A detailed review of the segment operational results is on pages 20 to 26.

Depreciation and amortisation expense increased by $2.6 million to $21.1 million in FY17, reflecting the higher capital spend levels of prior years, full year inclusion of the AOT business in FY17 and accelerated depreciation/amortisation on previous assets no longer required due to the introduction of new capital initiatives to deliver future business growth. During FY17, Helloworld Travel introduced robust control procedures to reduce capital expenditure levels from its historical spend levels and re-focus its capital spend on customer, agent and supplier performance initiatives to deliver future growth.

Finance expense declined 9.3% to $3.1 million in FY17, reflecting reduced debt and debt facility levels. In May, the Group entered into a new 5 year facility with Westpac on more attractive terms that will deliver further cost savings to the business.

The group's profit before tax is $31.0 million, an improvement of $27.6 million compared with the prior year, which ultimately delivered a profit after tax attributable to owners of $21.5 million for the year ended 30 June 2017.

## Shareholder returns

The Group's strong business performance has delivered an earnings per share of 18.8 cents compared with 1.9 cents in the prior year. Diluted earnings per share was 18.4 cents compared with 1.9 cents in the prior year. The diluted earnings per share include those shares granted in FY17 under the long term incentive plan and the franchise loyalty bonus plan, with vesting conditions to be met in future financial years.

Helloworld Travel has declared a final fully franked dividend of 8.0 cents per share for the year ended 30 June 2017, payable on 20 September 2017. This brings total dividends declared or proposed to 14.0 cents per share and represents a dividend payout ratio equating to 78% for the year ended 30 June 2017. In FY16, Helloworld Travel paid a 2.0 cents per share final dividend for the year ended 30 June 2016, which was the first dividend payment since 2013.

In assessing potential future dividends, management will continually assess future cash flow generation in the context of the company's debt and equity preferred capital structure mix, balancing the needs of shareholders, creditors and external market confidence.

## Acquisition and disposals

On 1 December 2016, the Group acquired 50% of Mobile Travel Holdings Pty Ltd and its controlled entities (MTA) for a total consideration of $14.2 million, including acquisition costs. MTA was established over 25 years ago with over 350 mobile travel agents in Australia. MTA is Australia's leading home based travel consulting business and provides Helloworld Travel with a significant footprint into a sector that expects high growth in the short to medium term. The Group expects the additional scale and operating leverage to bring increased economies of scale.

On 28 February 2017, the Group completed its acquisition of Cruise Factory, Seven Oceans Cruising, Cruise Abroad and Worldwide Cruise Centres businesses (collectively referred to as the Cruise Businesses) for a total consideration of $1.1 million. This business asset acquisition builds on Helloworld Travel's already established cruise presence with its internal cruise team and increases the business wholesale offering.

On 23 January 2017, the Group disposed of its wholly owned controlled entities, World Aviation Systems (Australia) Pty Limited, Global Aviation Services Pty Limited and Global Aviation Services (Australasia) Pty Limited, which formed the previous air representation business. Helloworld Travel recorded a profit on the sale of $0.4 million. The air representation business was not considered core to the broader Helloworld Travel business and does not have a material impact on the consolidated results.

## Capital expansion and network growth

Helloworld Travel's retail network has increased to over 2,000 members across Australia and New Zealand, reflecting the stabilisation of the pre-existing network and the addition of MTA in Australia and World Travellers Group (WTG) in New Zealand.

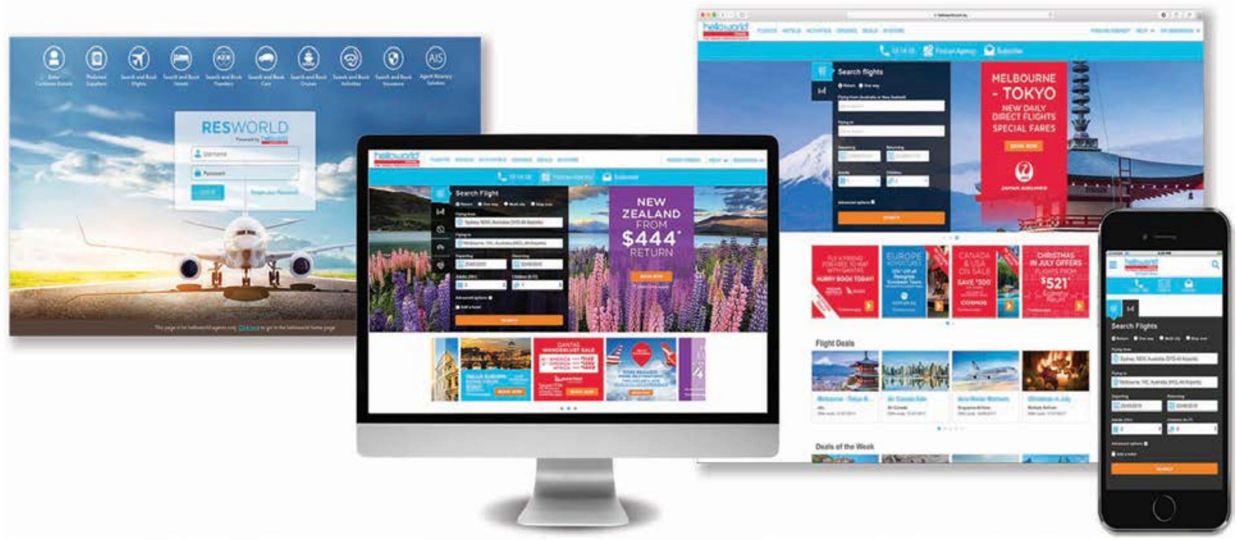
The Group continues to strengthen its relationship with the member networks, led by:

- a 50% ownership interest in MTA, which provides us a strong footprint in the home based travel agent industry;
- the introduction of the franchise loyalty bonus program, where branded and associate members were eligible to participate in the issue of 666,000 Helloworld Travel Limited shares at nil consideration subject to future vesting conditions being met; and
- a co-investment strategy, where Helloworld Travel has offered to purchase between 20% and 25% of franchisee businesses, with the consideration to be payable by way of fully paid ordinary shares in Helloworld Travel Limited.

Helloworld Travel has continued to make significant investment in consumer marketing, advertising and sponsorship to strategically accelerate Helloworld Travel's brand presence. On 10 April 2017, the Group held a General Meeting and its shareholders resolved to change the name of the listed entity from Helloworld Limited to Helloworld Travel Limited. This change was critical to strengthening the brand awareness and position within the travel industry. As part of this change, a new logo and associated marketing initiatives were developed that will be rolled out to the network in FY18.

The stronger relationship developed with the member network since the AOT merger has ensured that Helloworld Travel is aligned with its members to provide enhanced customer service experiences across the business.

In FY17, Helloworld Travel has continued to develop key technological initiatives to further align the bricks and mortar franchise network distribution with the on-line distribution platforms, creating an integrated travel solution. These developments include the re-launch of helloword.com.au site in September 2016 and the launch of the Resworld agency portal in October 2016. The Group will continue to build on these and other technologies to provide the best experiences for customers, staff and consultants throughout the network to drive greater productivity and increased yield outcomes.




## Equity issuance

In October 2016, 7,000,000 new shares were issued via share placement to institutional investors raising $28.4 million after costs. The funds were used for the purchase of 50% of MTA and the remainder to repay long term debt.

In addition to this capital raising, the Group issued 2,600,000 shares to senior executives under a long term incentive plan and 666,000 shares to members of the branded and associate networks as a part of the franchise loyalty bonus plan. Both these issues have future vesting conditions. A summary of the long term incentive plan is included in the Remuneration Report.

The Group also issued 100,000 new shares to the former owners of the Cruise Businesses acquired during February 2017, as part of the purchase consideration for these business assets.

## Liquidity and funding

As at 30 June 2017, the Group held a cash balance of $198.1 million (30 June 2016: $202.6 million) comprised of general cash of $34.7 million (30 June 2016: $26.2 million) and client cash of $163.3 million (30 June 2016: $176.4 million). As at 30 June 2017, the Group has external borrowings of $20.4 million (30 June 2016: $46.6 million) with available headroom on its debt facilities of $28.4 million (30 June 2016: $36.1 million).

In May 2017, Helloworld Travel refinanced its secured debt facility with the Westpac Banking Corporation. The previous facility was due to mature in April 2019. The new $60.0 million facility has a five year term. The refinancing of the core debt facility was successfully executed on attractive terms that will deliver cost savings to the business in FY18.

Helloworld Travel has generated strong operating cash flows from trading activity of $29.1 million. During FY17, the Group has introduced robust controls procedures to improve capital expenditure discipline, ensuring capital expenditure is carefully contained to drive future business performance. This has led to free cash flow, representing reported operating cash flow less net capital expenditure, of $18.8 million generated in FY17, which has enabled the Group to repay debt and pay dividends to shareholders.

The company has a strong balance sheet, improving operating cash flows and secured long term debt facilities with significant headroom. Helloworld Travel is well positioned for long-term sustainable growth.

# Segment review

During the current year, Helloworld Travel has restructured its operating segments based on the geographical location of where the businesses are managed. Comparative information has been restated to align with the current year segmentation.

The Group has three main operating segments within its structure of:

- Australia Segment
- New Zealand Segment
- Rest of the World segment

The Board assesses the performance of the segments based on several measures including TTV, Revenue and EBITDA (being earnings before interest expense, tax, depreciation and amortisation), net profit before tax and associated key ratios. The segment results for Australia, New Zealand and Rest of World segments have been extracted from note 5 to the financial statements.

## Australia Segment

| | FY17 $'000 | FY16 $'000 | Change $'000 | Change % |
|---|---|---|---|---|
| Total Transaction Value (TTV) | 4,908,825 | 4,747,843 | 160,982 | 3.4% |
| Revenue | 243,603 | 224,204 | 19,399 | 8.7% |
| Operating expenses | (194,150) | (198,194) | 4,044 | 2.0% |
| Equity accounted profits | 859 | - | 859 | N/A |
| EBITDA | 50,312 | 26,010 | 24,302 | 93.4% |
| Revenue margin | 5.0% | 4.7% | 0.3% | 6.4% |
| EBITDA margin | 20.7% | 11.6% | 9.1% | 78.4% |

The Australia segment has retail franchise operations, Air Tickets, wholesale & inbound, and travel management operations. These operations work together to supply travel products and services to customers and are supported by shared support functions.

In Australia, the Group has a range of retail operations, acting as a franchisor for multiple retail travel agency networks, including Helloworld Travel Branded, Helloworld Travel Associate and Helloworld Business Travel. The retail operations also include an online channel, helloworld.com.au, the My Travel Group network of agents, a ticketing division Air Tickets, as well as a 50% investment in Mobile Travel Agents (MTA).

The Group's wholesale businesses in Australia operate a range of brands including Qantas Holidays, Viva! Holidays, Sunlover Holidays, Ready Rooms, The Cruise Team, Seven Oceans, and Territory Discoveries. These businesses package air, cruise and land product for sale through retail travel agency networks as well as other third party retailers in Australia and New Zealand. The inbound business is the largest provider of inbound travel services in Australia, offering travel services to clients in 73 countries worldwide. These businesses include AOT Inbound, ATS Pacific and Experience Tours Australia (ETA).

The Group's corporate travel management services division offers travel management services to corporate and government customers including booking flights and accommodation, through the QBT and AOT Hotels businesses.

The Australia segment generated TTV of $4,908.8 million for the year ended 30 June 2017, representing an increase of 3.4% compared with the prior year. Revenue increased by 8.7% to $243.6 million reflecting the full year inclusion of Sunlover Holidays, AOT Inbound, ATS Pacific, ETA and AOT Hotels, which were merged into the segment as part of the merger with the AOT Group. Despite the addition of those new businesses to the segment, operating costs decreased by 2.0% to $194.2 million as a result of improved cost control and cost synergies actioned.

Overall EBITDA of $50.3 million, an excellent business performance representing growth of $24.3 million or 93.4% from prior year, driven by growth in TTV, increased revenue and margins as well as a re-alignment of the operating cost base.

The revenue margin for the year increased from 4.7% to 5.0% due to the change of product mix and improved contracting outcomes across the businesses. As a result of all of the above, the EBITDA margin increased from 11.6% to 20.7% in FY17 across the Australian operations.

The retail franchise operations performed well in 2017 despite declining airfare prices in both the international and domestic air travel markets. Total airline ticketing volumes continued to grow across the retail networks showing consumer demand remains strong, however TTV and revenue were negatively impacted by declining airfare prices. Helloworld.com.au recorded a positive turnaround after exiting the unprofitable Orbitz agreement and following a realignment of the strategy to complement the bricks and mortar service of Helloworld Travel agents. The Helloworld Business Travel network of agents performed strongly by leveraging its unique offerings with its global presence through Globalstar and major partners such as Serko and Amex, all of which provide a key value proposition to independent corporate travel management companies.

Helloworld Travel has built a network of high performing brand-carrying and independent agents. In May 2017, the Helloworld brand evolution continued with the rebranding to 'Helloworld Travel – The Travel Professionals' and a new store look for fully branded outlets being well received by members, gaining immediate traction in the market. In June 2017, eight stores converted to fully branded Helloworld Travel outlets, the first since the rebrand. This success is strong validation of the strength of the Helloworld Travel network of expert travel agents and the franchise model value proposition.

Retail and corporate member numbers in Australia have grown to 1,715 at 30 June 2017, an increase of 292 since June 2016, led by the strategic acquisition of MTA providing

Helloworld Travel with a significant footprint into the home based travel agent sector which is expected to see high growth in the short-medium term.

The Group's digital offering, helloworld.com.au, was re-launched in September to extend the agent customer reach, to grow the networks profile and to provide a booking portal to compliment the bricks and mortar presence of the Helloworld Travel agents. The website offers the convenience of both researching and booking online, an agent finder for customers to locate their nearest Helloworld Travel agent and the most up to date offerings throughout the networks.

The Group has continued to sharpen the focus on advertising and promotions, increasing activities during the year. The focus has been on offering unique and exclusive product, improving brand awareness and corporate growth through new sponsorships with Basketball Australia, Volleyball Australia and the Carlton Football Club.

The Group owns and operates an air ticketing operation, Air Tickets, which services both the Helloworld Travel network of agents and over 600 independent travel agents. Air Tickets operates in all Australian states with world class technology allowing agents to issue tickets 24 hours a day, seven days a week. Air Tickets continues to invest in innovative ticketing technology and is considered one of Australia's leading airfare distribution and ticketing services consolidator. The business has seen significant growth during the year with total transactions processed increasing by more than 20%, to the highest level recorded.

The Australian wholesale & inbound operations have performed strong during the year. The key focus has been the continued integration of Helloworld Travel and AOT businesses to benefit from economies of scale and improve productivity efficiencies. Revenue margins have improved reflecting the full year impact of the higher margins derived from the AOT businesses and improved product offerings in the underlying businesses. Costs remain well controlled with the further identification of opportunities between the existing Helloworld Travel and AOT brands to deliver further improved margins and reduced costs.

During FY17, the wholesale operations expanded product offerings to better meet agent needs including the launch of a new China program, dedicated Canada brochure, increased Australian product range and new Qantas Holidays 'Luxury Collection' Maldives brochure. In addition, new destinations and brochures are being continually assessed to further enhance the product range.

Other key initiatives included the roll out of a new online booking tool, introduction of Sunday trade for Qantas Holidays, a 24/7 call centre service for customer care and booking queries providing support to agencies trading over the weekend, and the release of an enhanced Ready Rooms accommodation portal, that provides a more comprehensive product range and easier booking process.

In July 2016, QBT successfully completed the transition of the Whole of Australian Government (supporting 142 Australian Government Agencies) business secured in FY16. This positive momentum has continued into 2017 with the successful implementation and delivery as the sole provider of travel management services for the whole of Northern Territory Government including the opening of a new office in Darwin. QBT was also successful in winning the PwC Australia account which commenced operation in October 2016. The QBT team is focussed on driving future business growth and expansion opportunities, while achieving productivity efficiencies achieved through investment in technology innovation and automation throughout the business. In addition, QBT has become the first carbon neutral travel management company in the Australia Pacific region.

AOT Hotels in conjunction with QBT has been appointed the Accommodation Program Manager for the Northern Territory Government. The transition of agencies to book via AOT Hotels commenced in FY17 and will occur progressively during FY18.

In August 2017, AOT Hotels successfully re-tendered for the Whole of Australian Government contract for accommodation program management. The new contract is for a period of 3 years with further extension options of up to 3 years subject to satisfactory delivery of the contract services. It also includes, for the first time, international accommodation requirements as well as domestic requirements.

The Australia segment was well recognised at the July 2017 National Travel Industry Awards, with Helloworld Travel named Best Travel Agency Group, Sunlover Holidays named Best Wholesaler Australia Product and Qantas Holidays / Viva Holidays named Best Wholesaler – International Product.

## New Zealand Segment

| | FY17 $'000 | FY16 $'000 | Change $'000 | Change % |
|---|---|---|---|---|
| Total Transaction Value (TTV) | 848,997 | 820,809 | 28,188 | 3.4% |
| Revenue | 60,525 | 52,610 | 7,915 | 15.0% |
| Operating expenses | (54,307) | (50,720) | (3,587) | (7.1%) |
| EBITDA | 6,218 | 1,890 | 4,328 | 229% |
| Revenue margin | 7.1% | 6.4% | 0.7% | 10.9% |
| EBITDA margin | 10.3% | 3.6% | 6.7% | 186% |

The New Zealand segment has retail franchise operations, Air Tickets, wholesale & inbound, and travel management businesses. These operations work together to supply travel products and services to customers and are supported by shared support functions.

In New Zealand, the Group has a range of retail operations acting as a franchisor of retail travel agency networks including Helloworld Travel Branded and Helloworld Travel Associate, My Travel Group and The Travel Brokers network. The retail operations also include a ticketing division, Air Tickets, and the online channel, helloworld.co.nz.

The Group's wholesale businesses, Go Holidays, procures air, cruise and land product for packaging and sale through retail travel agency networks and other third party retailers. The Group's inbound businesses of ATS Pacific and AOT New Zealand offers travel services to clients in 73 countries worldwide.

The Group's APX business provides corporate travel management services to corporate and government customers throughout New Zealand including booking flights and accommodation.

The New Zealand segment generated TTV of $849.0 million for the year ended 30 June 2017, representing an increase of 3.4% compared with the prior year. The increase primarily reflects the strong sales through the network of the Group's GO Holidays products, which in turn can be attributed to the increase in sales coming from the conversion of businesses carrying the Helloworld brand. Revenue increased by 15.0% to $60.5 million mainly reflecting sales growth and improved revenue margins from Go Holidays and the full year inclusion of the New Zealand Inbound business that was incorporated into this segment following the merger with the AOT Group. Operating costs increased by 7.1% to $54.3 million due to the increase in costs associated with agent rewards and retention, partially offset by productivity gains from centralisation of key functions.

The New Zealand segment generated EBITDA of $6.2 million, which is a $4.3 million or a 229% increase on the prior year result of $1.9 million. Prior year EBITDA included $1.6m of one off significant item costs relating to the rebranding to Helloworld.

The revenue margin for the year increased from 6.4% to 7.1% due to the contribution of the inbound business and the strong margin growth in Go Holidays. EBITDA margin increased from 3.6% to 10.3% reflecting strong TTV and revenue margin improvement. The increased costs to support the revenue growth have been partially offset by lower costs from productivity improvements, cost structure re-sizing and reduced one off costs with the FY16 rebranding.

Retail franchise operations TTV and revenue margins were relatively stable compared with prior year, which is a significant achievement given the departure of the previously resigned 37 United Travel stores to another retail brand. The New Zealand retail market faced similar challenges to Australia with air fare prices falling by 13% impacting TTV growth during the year, however this was offset by growth in overall ticket volumes and an increase in retail network members.

Retail and corporate member numbers in New Zealand have grown to 300 as at 30 June 2017, an increase of 57 since June 2016. This growth has been across branded, associated and the My Travel Group network. The My Travel Group network has grown by 62% during the year as has the newly created associate network with the World Travellers Group joining this network in October 2016, adding significant TTV volumes across air, wholesale and third party suppliers. During FY17, the former independent buying group was re-branded to the My Travel group to align with the Australia branding, with increased benefits and loyalty programs to those members who were part of this network.

Helloworld Travel has renewed its advertising and marketing spend to promote the Helloworld brand since the New Zealand launch in FY16. This has seen a significant 478% increase in brand awareness since the initial launch of the brand (TRS Brand Survey) and also prompted significant enquiry growth in the branded stores.

The New Zealand wholesale & inbound operations have performed strongly during the year. TTV growth was generated in the GO Holidays business from the addition of the World Travellers Group to the Helloworld Travel network and a significant increase in TTV of 'in-house' wholesale brands by the Helloworld Travel retail network. This growth has been reflected in improved revenue margins and EBITDA performance. Operating costs have been well controlled. The wholesale and inbound operations have benefited from the full year inclusion of the inbound business, ATS Pacific New Zealand and the associated economies of scale and product offering following the AOT merger.

In September 2016, at the TAANZ NTIA Awards, the New Zealand wholesale business, GO Holidays, won the award for Best Wholesale Brand for the third consecutive year.

In corporate travel management, the APX business has remained stable despite difficult trading conditions in the market reflecting strong competition and low air fare prices. It has been able to resize its cost base through productivity and structural changes. APX continues to invest in technology solutions to provide increased customer service offerings and improved productivity efficiencies, this includes the recent launch of the Serko SME online booking tool under the APX brand.

## Rest of World (ROW) Segment

| | FY17 $'000 | FY16 $'000 | Change $'000 | Change % |
|---|---|---|---|---|
| Total Transaction Value (TTV) | 114,507 | 125,686 | (11,179) | (8.9%) |
| Revenue | 22,305 | 23,735 | (1,430) | (6.0%) |
| Operating expenses | (23,656) | (26,345) | 2,689 | 10.2% |
| EBITDA | (1,351) | (2,610) | 1,259 | 48.2% |
| Revenue margin | 19.5% | 18.9% | 0.6% | 3.2% |
| EBITDA margin | (6.1%) | (11.0%) | 4.9% | 44.5% |

This segment consists of Insider Journeys (operating in South East Asia), Tourist Transport Fiji (TTF) and Qantas Vacations in North America, in addition to the ATS Pacific inbound business in Fiji.

The ROW segment generated TTV of $114.5 million for the year ended 30 June 2017, representing a decrease of 8.9% compared with the prior year. Revenue decreased by 6.0% to $22.3 million. The decline in TTV and revenues was primarily a result of refocussing the distribution method used in the Insider Journey's business back to its traditional wholesale market, instead of the direct to consumer market.

The ROW segment generated negative EBITDA of $1.4 million, whist this is a trading loss, it represents a significant improvement from the prior year position of negative EBITDA of $2.6 million. The Group has significantly re-sized the cost base of Insider Journey's and will continue to drive improved performance in all these businesses.

The revenue margin for the year increased from 18.9% to 19.5% due to the strong contribution from ATS Pacific and the EBITDA margin also improved reflecting the reduced operating cost base.

As noted above, Insider Journeys performance did not meet expectations, impacted by increased competition for primary destinations with aggressive pricing and heavy discounting eroding sales and margin. However, the brand has completed a strong turnaround from prior year with a change in customer focus back to its traditional wholesale market. There has also been a significant focus on cost base restructure, identifying group synergies and productivity efficiencies. Alignment of business systems with the other Helloworld Travel wholesale brands has been actioned and is expected to provide significant future benefits.

The USA based Qantas Vacations business focus has benefited from the realignment of the cost base and driving TTV growth through the restructure of the sales, advertising & promotions teams to increase exposure and coverage across all major accounts in the region.

The Group's Fiji based business, ATS Pacific (Inbound) and TTF Fiji (Transport) have been boosted by the increase of incoming passenger numbers from strong cruise ship arrival growth into Fiji which looks set to continue into the next year.

## Outlook

The Group's focus in the 2018 year will be on growing revenue and margins and continually extracting efficiencies in its operations and right sizing the cost base of the organisation.

Helloworld Travel is focused on delivering for shareholders, agents, partners and consumers. Helloworld Travel's priority remains to future proof its agents and the business through technology, training, product and profile supported by the omni-channel strategy. Great progress has already been made in positioning agents and the business for success through a growth in revenue from enhanced advertising and product offerings, a focus on cost containment, improvements to brand positioning, productivity gains and margin optimisation.

The merger of Helloworld Limited and The AOT Group during 2016 allowed senior management to assess and identify a series of operational and financial synergies. The benefits of these synergies were actioned in the financial year ended 30 June 2017 and will continue to generate benefits in future years. The Company has a strong balance sheet, a stable network of high performing agents and a growing and strategic online presence.

The Group expects to improve its current year performance in the year ended 30 June 2018 and is well positioned for sustainable long term growth.

## Business risks

There are a number of factors, both specific to Helloworld Travel and of a general nature, which may impact the future operating and financial performance of the Group. The specific material risks faced by Helloworld Travel and how these risks are managed, are set out below:

### Demand risk

The Group may be affected by fluctuating levels of demand for the travel services offered. Travel demand is always sensitive relative to disposable consumer income, which in turn is influenced by many variables including changes in interest rates and mortgage repayments, levels of unemployment, the fundamental price of travel in its own right (including any impact that arises from increases in the cost of oil or changes in foreign exchange rates), bowser petrol prices, consumer confidence and the buoyancy of the stock market.

Travel demand can also be affected by certain events that can affect travellers' preparedness to travel, including pandemics, terrorism incidents, natural disasters, civil unrest and wars.

To the extent possible, the Group mitigates this risk by keeping abreast of global economic and consumer data and industry trends and managing expenses in line with changes in the environment.

### Competition and Margin Risk

The highly competitive nature of the travel industry, combined with the risk of new entrants in the online market, may impact on revenue margins and the results of the Group. This is mitigated by managing margins and by working with key suppliers. The Group closely monitors product availability and pricing against a range of other travel providers to ensure it remains competitive.

### Foreign Exchange Exposure

Within the Wholesale business, a significant amount of international travel product is sold in local currency while suppliers are paid in foreign currencies. In order to mitigate the resulting exchange fluctuation risk, Helloworld Travel has a hedging policy and enters into forward exchange contracts to match expected future cash flows.

### Key customers and suppliers

Changes in key customers and suppliers could have an impact on the financial results of the Group. This risk is mitigated by ensuring, where possible, formal agreements are in place and by working closely with key customers and suppliers to ensure that Helloworld Travel responds to any changes in their economic circumstances or business requirements.

### Technological advances

Advances in technology means that Helloworld Travel is always modifying the way it does business. Technological advances could have an impact on the financial results should Helloworld Travel not continue to invest in systems development. The Group mitigates this risk by continuing to commit significant resources to systems development as is demonstrated by the ongoing investment in technology.

### Reliance on key personnel

The continued success of the Group will, in part, be reliant on the future performance, abilities and expertise of its key personnel. The ability to retain and attract key people is important to the Group's success.

### Agent Network

The Group derives revenue from sales through its Agent Network. Movements in and out of the network may impact on revenues and costs. This risk is mitigated by the size of the networks, their geographical spread and our close management, monitoring and engagement of our members.

## People

At 30 June 2017, the Group had 1,786 Full Time Equivalent (FTE) employees. This was a decrease of 125 from the 1,911 FTE at 30 June 2016. The decrease has been driven by a continual focus to right size the cost base to align with business revenue and product offering.

Employee expenditure for the year ended 30 June 2017 increased by $5.8m or 4.3% to $139.8m, reflecting the full year impact of the AOT business inclusion partially offset by the reduction in FTE.

While the majority of the Group's employees are based in either Australia, New Zealand or Fiji, the Group has employees in Vietnam, the United States of America, India, Cambodia, Laos and the United Kingdom.

The regional analysis and breakdown by country is below:

| | |
|---|---|
| Australia | 1,023.8 (57.3%) |
| New Zealand | 403.4 (22.6%) |
| Fiji | 152.6 (8.5%) |
| India | 71.0 (4.0%) |
| Vietnam | 61.0 (3.4%) |
| USA | 52.0 (2.9%) |
| Other | 22.0 (1.2%) |

## Capital structure

At 30 June 2017, Helloworld Travel Limited had 120,204,418 shares on issue of which the Executive Directors, Andrew Burnes and Cinzia Burnes, along with their Director related entities, owned 36.6%. Sintack Pty Limited and its associates held 18.4%, QH Tours Limited (a subsidiary of Qantas Airways Limited) held 17.7%, with the remaining 27.4% being held by other shareholders including management.

During the current year, the number of shares increased by 10,366,000 shares reflecting the following:

- Issue of 7,000,000 shares via book build placement to fund the 50% purchase of Mobile Travel Holdings Pty Ltd and its controlled entities (MTA) and repay long term debt;
- Issue of 2,600,000 shares under the long term incentive plan to certain senior managers;
- Issue of 666,000 shares as a performance and loyalty bonus for franchisees; and
- Issue of 100,000 shares as part consideration for the purchase of two cruise businesses.

## Significant events after the balance date

With the exception of the item listed below, the Directors are not aware of any matter or circumstance that has arisen in the interval between 30 June 2017 and the date of signing of this report that has significantly, or may significantly, affect the operations of the Group, the results of the operations of the Group or the state of the Group's affairs in future financial years.

### Final Dividend

On 23 August 2017, the Directors resolved to pay a 100% franked final dividend of 8.0 cents per fully paid share.

## Likely developments

The Group's focus in the 2018 year will be on growing revenue and margins and continually extracting efficiencies in its operations and right sizing the cost base of the organisation.

## Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

# Indemnification and insurance of Directors and officers

## Indemnification

The Company has agreed to indemnify the Directors and executive officers (or former Directors or executive officers) of the Company against:

(a) any liability (other than for legal costs) incurred by the Director or executive officer;

(b) any legal costs reasonably incurred by the Director or executive officer in connection with;

(i) any claim brought against or by the Director or executive officer of the Company; or

(ii) any investigative proceeding, including (without limitation) in obtaining legal advice for the purposes of responding to, preparing for or defending any of the above; and

(c) any legal costs reasonably incurred by the Director or executive officer in or in connection with the discharge of the Director or executive officer's duties as an officer of the Company, provided that the advice is obtained in accordance with the Board Charter which requires approval from the Chairman who will facilitate the obtaining of the advice and, where appropriate, disseminate the advice to all Directors.

## Insurance premiums

The Company has paid insurance premiums of $129,772 during the financial year to cover current and former Directors' and officers' liability and legal expenses. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.



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# LETTER FROM THE REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder,

On behalf of the Board, I am pleased to present Helloworld Travel Limited's Remuneration Report for 2017.

The Board is committed to an executive remuneration framework that is focused on driving organisational performance, and linking executive remuneration to the achievement of company strategy and business objectives and, ultimately, generating superior returns to shareholders.

## Company performance and remuneration outcomes in 2017

Last year, the Board advised that all executive Key Management Personnel (KMP) would have their remuneration packages re-baselined to allow them to participate in a Long Term Incentive Plan (LTIP), but receive no short term incentive. As a result the Board determined that no short term incentives will be awarded to any KMP for the year ended 30 June 2017.

## Changes to executive remuneration in 2017

During the 2017 year, the responsibility of the Group General Manager, New Zealand was reviewed in the context of how the overall business was managed. Accordingly, the Group General Manager, New Zealand has been included as a KMP, effective from 1 July 2016.

The Board believes the current remuneration strategy ensures the appropriate framework to drive long term performance and aligns executive reward with shareholders' interests.

The Board has continued its commitment to its new LTIP program, consisting of a loan-based share plan implemented, directly linked to Total Shareholder Return (TSR) for executive KMP. We are confident that the LTIP program complements our existing focus on alignment of executive reward to delivery of the company strategy and ultimately shareholder return.

The Board recommends the Remuneration Report to you and asks that you support our remuneration policies and practices by voting in favour of this Report at our 2017 Annual General Meeting.

Yours faithfully

Garry Hounsell
Chairman of the Remuneration Committee
Chairman of Helloworld Travel Limited

# REMUNERATION REPORT (AUDITED)

This 2017 Remuneration Report outlines the remuneration arrangements for the Key Management Personnel (KMP) of the Helloworld Travel Limited Group (Group) in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The report contains the following sections:

# 1 REMUNERATION GOVERNANCE & FRAMEWORK

## 1.1 Persons to whom this report relates

This report covers the remuneration arrangements for the Key Management Personnel (KMP) of the Helloworld Travel Limited Group (Group). KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise). For the purposes of this report, the term 'executive' encompasses the CEO (unless otherwise specified) and all Executive KMP.

Directors and other KMP disclosed in this report are:

| Name | Position |
|---|---|
| **Non-Executive Directors** | |
| Garry Hounsell (appointed 4 October 2016) | Chairman and Non-Executive Director |
| Mike Ferraro (appointed 1 January 2017) | Non-Executive Director |
| Andrew Finch (appointed 1 January 2017) | Non-Executive Director |
| Peter Spathis | Non-Executive Director |
| **Non-Executive Directors** | |
| Rob Marcolina (resigned 31 December 2016) | Non-Executive Director and Acting Chairman |
| Andrew Cummins (retired 22 November 2016) | Non-Executive Director |
| **Executive Directors** | |
| Andrew Burnes | Chief Executive Officer and Managing Director |
| Cinzia Burnes | Group General Manager, Wholesale & Inbound and Executive Director |
| **Executive KMP** | |
| Michael Burnett | Chief Financial Officer and Group Company Secretary |
| Russell Carstensen | Group General Manager – Corporate |
| Simon McKearney (effective 1 July 2016) | Group General Manager – New Zealand |

## 1.2 Remuneration governance

The Remuneration Committee of the Board is responsible for reviewing remuneration arrangements and making recommendations to the Board in respect of the directors and KMP executives. The Remuneration Committee assesses the nature and amount of remuneration of Directors and KMP executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Board of Directors and KMP executive team. The Corporate Governance Statement provides further information on the role and composition of this Committee.

In determining the level and make-up of executive remuneration, the Remuneration Committee considers advice from external consultants from time to time and reviews market levels of remuneration for comparable Directors and KMP executive roles.

## 1.3 KMP Executive remuneration framework

The Group aims to reward KMP executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and to reflect their level of experience and their performance.

The remuneration framework for KMP executives embodies the following principles:

- provide competitive rewards to attract and retain high calibre executives;
- have a portion of executive remuneration 'at risk,' dependent upon meeting pre-determined performance benchmarks;
- directly linking executive rewards to shareholder value; and
- establish appropriate, demanding performance hurdles in relation to variable executive remuneration.
- to achieve these principles, the remuneration arrangements of the CEO and KMPs are made up of one or more of the following elements:

### Fixed Annual Remuneration (FAR)

Set to attract, retain and motivate the right talent to deliver on the Group's strategy, the Board takes into account individual performance, skills, expertise and experience as well as external benchmarking to determine executive's fixed remuneration.

Executives may receive their FAR in a variety of forms including cash and fringe benefits. It is intended that the manner in which FAR is paid will be optimal for the recipient without creating extra cost for the Group. Salary, as disclosed in the remuneration tables, is the remuneration remaining after the deduction of salary sacrifice components such as motor vehicles and superannuation which are shown in a separate category.

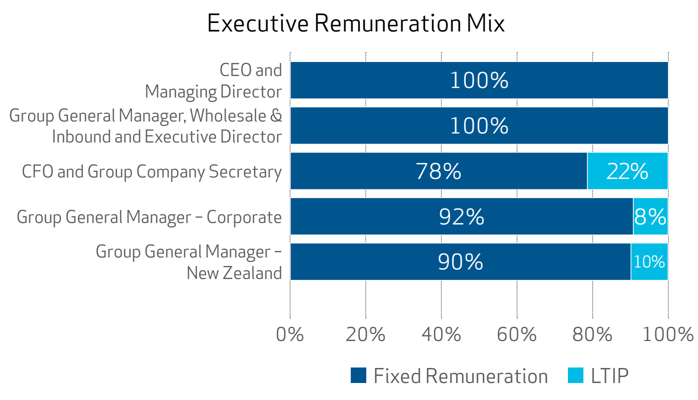
### Long Term Incentive ('at risk' remuneration)

The 'at risk' components for certain KMPs are based on the Group's performance against Total Shareholder Return metrics (threshold) and key financial and non-financial measures. More detail on the 'at risk' remuneration components and their link to company performance is included in section 2 of this report.

## 1.4 Executive remuneration mix

The Board aims to find a balance between the different elements of remuneration to attract, retain and motivate the right talent to deliver on the Group's strategy while also linking pay to performance via incentive plans to motivate executives to achieve outcomes beyond the standard expected in the normal course of ongoing employment.

The target mix of FY17 remuneration components is as below:



## 1.5 Remuneration changes for 2017

### Short Term Incentive Plan (STIP)

There was no STIP for any KMP for the year ended 30 June 2017 and any KMP who had STIP plans under previous arrangements have ceased.

### Long Term Incentive Plan (LTIP)

A new LTIP was implemented in 2017 to a targeted group of senior leaders including executive KMP. The key criteria for the LTIP scheme are as follows:

- LTIP allocations are limited to key executives and senior leaders reporting to the CEO or senior leaders who are considered critical to the ongoing success of the Group;
- LTIP replaced any previous short term incentive programs for our KMP. The CEO and Group General Manager, Wholesale & Inbound do not participate in the LTIP;
- The threshold performance criteria is directly linked to Total Shareholder Return and provides reward on successful marked improvement of Helloworld Travel's return to shareholders over a three year period;
- The executive or senior leader will need to meet individual KPIs as determined by the Board and CEO over the three year period; and
- The initial allocation was for a three year period. It is currently not envisaged that participants who received a grant in 2017 will receive further grants prior to the 2017 grant vesting or expiring.

This scheme replaces the previous LTIP program involving performance rights, which was in place for a certain number of Helloworld Travel senior leaders including executive KMP.

The overall objectives of the LTIP scheme is to lock in key leaders for an extended period of time, whilst at the same time incentivising them to generate superior returns.

The key attributes included in the design of the plan are as follows;

| | |
|---|---|
| **Type of Scheme** | Loan Funded Scheme |
| **Scheme Commencement** | 1 July 2016 |
| **Scheme measurement and vesting date** | 1 July 2019 |
| **Share VWAP at Scheme Commencement** | $3.00 per share |
| **Performance Criteria** | Must meet both;<br>- TSR (based on share price), and<br>- Individual KPIs |
| **50% Vesting** | $4.50 share price / TSR of 14% pa |
| **100% Vesting** | $5.50 share price / TSR of 22% pa |
| **KPIs** | Determined by the CEO periodically and the achievement of these KPIs would be at the sole discretion of the CEO and Board. |
| **Loan** | A loan will be given to the participant equal to share value at the scheme commencement and the number of shares issued. The loan is repaid to the company upon the vesting of shares. |

Refer to note 31 share based payments in the financial statements for further details on the nature of the LTIP. For the LTIP scheme, the Board will have sole discretion about what happens to the shares on any change of control event.

### Legacy LTIP Performance Rights

During the year one KMP was still a participant in the legacy LTIP Performance Rights Plan (PRP). The last of these legacy performance rights (2015 Tranche 3 performance rights) lapsed in the performance period ended 30 June 2017, refer section 2.4 for further details.

# 2 EXECUTIVE REMUNERATION

## 2.1 Company performance and remuneration outcomes for 2017

The table below provides relevant Group performance information for the key financial measures over the last five years;

| | 2017 $'000 | 2016 $'000 | 2015 $'000 | 2014 $'000 | 2013 $'000 |
|---|---|---|---|---|---|
| Net profit / (loss) after tax (NPAT) | 21,591 | 1,676 | (201,111) | (63,243) | 16,360 |
| Earnings before interest expense, tax, depreciation and amortisation (and impairment in FY15/FY14) (EBITDA) | 55,179 | 25,290 | 24,051 | 40,561 | 54,141 |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Basic earnings / (loss) per share (EPS cents) | 18.8 | 1.9 | (274.0) | (86.3) | 22.08 |
| Total dividends declared (cents per share) | 14.00 | 2.00 | - | - | 9.00 |
| Opening share price at 1 July ($) | 3.08 | 2.16 | 1.68 | 1.98 | 2.22 |
| Closing share price at 30 June ($) | 4.04 | 3.08 | 2.16 | 1.68 | 1.98 |
| Total shareholder return (%) | 33.8% | 42.6% | 28.6% | (15.2%) | (6.8%) |

In FY17, key metrics including EBITDA, NPAT and Basic EPS have significantly increased from the prior year reflecting the strong current year business performance and successful turnaround of the Helloworld Travel business after its merger with the AOT Group in February 2016. No STIP was awarded in 2017 as executive KMP incentives are aligned to long term performance and strategy via the LTIP.

## 2.2 Executive remuneration

| | Short term benefits | | | Long term benefits | Post-employment benefits | | Share based payments | Termination benefits | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salary ($) | STIP ($) | Other ($) | Leave ($) | Super-annuation ($) | Other benefits ($) | LTIP ($) | Termination payments ($) | Total ($) | Performance related percentage |
| **A Burnes** (CEO and Managing Director) Appointed 1 February 2016 | | | | | | | | | | |
| 2017 | 455,384 | - | - | 7,392 | 19,616 | - | - | - | 482,392 | - |
| 2016 | 202,873 | - | - | 3,165 | 8,045 | - | - | - | 214,083 | - |
| **C Burnes** (Group General Manager – Wholesale & Inbound and Executive Director) Appointed 1 February 2016 | | | | | | | | | | |
| 2017 | 455,384 | - | - | 7,392 | 19,616 | - | - | - | 482,392 | - |
| 2016 | 202,873 | - | - | 3,165 | 8,045 | - | - | - | 214,083 | - |
| **M Burnett** (CFO) Appointed 11 April 2016 | | | | | | | | | | |
| 2017 | 425,000 | - | - | - | 19,616 | - | 128,333 | - | 572,949 | 22.4% |
| 2016 | 95,952 | - | - | - | 4,023 | - | - | - | 99,975 | - |
| **R Carstensen** (Group General Manager – Corporate) | | | | | | | | | | |
| 2017 | 468,765 | - | - | 8,625 | 19,616 | - | 43,613 | - | 540,619 | 8.1% |
| 2016 | 549,541 | 233,855 | - | 28,459 | 19,308 | - | (44,322) | - | 786,841 | 24.1% |
| **S McKearney** (Group General Manager – New Zealand) KMP effective 1 July 2016 | | | | | | | | | | |
| 2017 | 319,908 | - | - | - | 9,597 | - | 38,500 | - | 368,005 | 10.5% |
| **E Gaines** (Former CEO and Executive Director) Resigned 19 December 2015 | | | | | | | | | | |
| 2016 | 299,217 | - | 187,883 | (15,955) | 14,481 | - | - | 51,978 | 537,604 | - |
| **J Macdonald** (Former CFO) Resigned 28 April 2016 | | | | | | | | | | |
| 2016 | 440,158 | - | 168,881 | - | 17,699 | - | (77,050) | 143,535 | 693,223 | (11.1%) |
| **P Egglestone** (Former Head of Wholesale) Replaced on KMP by C Burnes on 1 February 2016) | | | | | | | | | | |
| 2016 | 163,892 | - | 968 | - | 11,263 | - | (61,451) | - | 114,672 | (53.6%) |
| **G Leighton** (Former CEO New Zealand) Resigned 31 December 2016 | | | | | | | | | | |
| 2016 | 163,524 | - | - | - | - | - | (36,355) | 224,016 | 351,185 | (10.4%) |
| **2017 TOTAL** | **2,124,441** | **-** | **-** | **23,409** | **88,061** | **-** | **210,446** | **-** | **2,446,357** | |
| **2016 TOTAL** | **2,118,030** | **233,855** | **357,732** | **18,834** | **82,864** | **-** | **(219,178)** | **419,529** | **3,011,666** | |

The proportion of remuneration that is performance based was calculated as the sum of the STIP bonus and LTIP share-based payments as a proportion of total remuneration.

During FY17, Mr Carstensen's base salary has been recalibrated as part of the review of executive remuneration and was re-set to $450,000 per annum from 1 September 2016.

During FY16, as Group General Manager – Air Services and QBT, Mr Carstensen was awarded a FY15 STIP that was paid in FY16. No STIP was awarded in FY17 and no STIP arrangement exists for any current KMP.

During FY16, former CEO, Ms Gaines was awarded a bonus in relation to the completion of the merger with the AOT Group. Former CFO, Ms Macdonald, was paid an additional amount in relation to additional duties performed and relation to the completion of the merger with the AOT Group. These are disclosed as "other – short term benefits" in the table above. No bonuses were awarded for any KMP in FY17.

## 2.3 Loan funded long term incentive plan

As described at section 1.5, a new LTIP plan was established during the year. The overall objectives of the LTIP are to lock in our key leaders for an extended period of time, whilst at the same time, incentivising them to generate superior long term returns to shareholders.

The shares were issued and allocated under the plan to KMP at the start of FY17 at the market value at that time of $3.00 per share. A loan was provided to each KMP participant equal to the number of shares issued at $3.00, amounting to $2,700,000. The loan is to be repaid to Helloworld Travel after vesting conditions are met and can be repaid up until 1 July 2026 with any dividends offset against the loan value until the loan is repaid. If the KMP sells the shares after vesting, the proceeds are firstly used to repay the loan, with any balance retained by the KMP. The loan is interest free and non-recourse. The CEO and Group General Manager, Wholesale & Inbound do not participate in the LTIP.

The allocation of the LTIP to eligible KMP was as follows:

| Name | Role | Number of shares granted | Loan value at grant date | Fair value of instrument at grant date | Loan value as at 30 June 2017 |
|---|---|---|---|---|---|
| M Burnett | Chief Financial Officer | 500,000 | $1,500,000 | $385,000 | $1,478,182 |
| R Carstensen | Group General Manager – Corporate | 250,000 | $750,000 | $192,500 | $739,071 |
| S McKearney | Group General Manager – New Zealand | 150,000 | $450,000 | $115,500 | $443,443 |
| **TOTAL** | | **900,000** | **$2,700,000** | **$693,000** | **$2,660,696** |

The shares have a 3 year performance period from 1 July 2016 to 30 June 2019, with vesting date of 1 July 2019. The vesting of the shares are subject to both market and non-market conditions being met. If the employee leaves the Group, or the conditions are not met prior to the vesting date, the shares will be cancelled and the loan extinguished.

The fair value of the instrument was $0.77 per share, amounting to $693,000 on the 900,000 shares granted. This amount will be amortised over its 3 year vesting period as a share based payment expense. The fair value is calculated in accordance with applicable Australian Accounting Standards, using a version of the Black Scholes model incorporating Monte Carlo simulation analysis to value the loan share instruments thus incorporating the market-based performance conditions attached to the loan share instruments.

## 2.4 Historical LTIP

The last tranche (2015 – Tranche 3) of the former LTIP program involving performance rights lapsed during the year ended 30 June 2017. Awards of performance rights were made under the legacy LTIP for the years ended 30 June 2011 to 30 June 2015 inclusive however none were made in the year ended 30 June 2016 nor 30 June 2017. The former LTIP involving performance rights has now ceased with no further grants to be made under this program.

Mr Carstensen was the only KMP who had unvested performance rights under this legacy LTIP. The 16,790 performance rights granted to Mr Carstensen on 25 February 2015 as part of 2015 Tranche 3, lapsed on 30 June 2017 as they did not meet the vesting conditions for exercise.

## 2.5 Executive shareholdings

The number of shares in the company held during the financial year by executive key management personnel of the Group, including their personally related parties, is set out below:

| EXECUTIVE | Number of shares at 1 July 2016 | Additions | Granted under LTIP | Number of shares at 30 June 2017 |
|---|---|---|---|---|
| A Burnes | 12,828,654 | 29,404 | - | 12,858,058 |
| C Burnes | 12,638,014 | - | - | 12,638,014 |
| The Burnes Group Pty Limited as trustee for The Burnes Group Service Trust | 18,480,105 | - | - | 18,480,105 |
| Longbush Nominees Pty Ltd as trustee for the Burnes Superannuation Fund | - | 10,000 | - | 10,000 |
| M Burnett | - | - | 500,000 | 500,000 |
| R Carstensen | 84,246 | - | 250,000 | 334,246 |
| S McKearney | - | - | 150,000 | 150,000 |
| **TOTAL** | **44,031,019** | **39,404** | **900,000** | **44,970,423** |

Mr Burnes and Mrs Burnes each have a beneficial interest in The Burnes Group Pty Limited which acts as the Trustee of The Burnes Group Service Trust. Mr Burnes and Mrs Burnes also have an interest in Longbush Nominees Pty Ltd which acts as the Trustee of the Burnes Superannuation Fund of which they are both members.

Shares granted under the 2017 LTIP to KMP, amounting to 900,000 shares, have been detailed in section 2.3.

## 2.6 Executive service agreements

Remuneration and other terms of employment for KMP are formalised in continuing contracts of employment. These contracts specify the components of remuneration, benefits and notice periods. All contracts may be terminated by either party subject to notice periods and subject to termination payments or benefits as detailed in the table below:

| EXECUTIVE | | Notice period to be given by KMP | Notice period to be given by the Company | Termination payments or benefits payable if termination is by the Company |
|---|---|---|---|---|
| A Burnes | CEO and Managing Director | 6 months | 6 months | In accordance with normal statutory entitlements |
| C Burnes | Group General Manager - Wholesale & Inbound and Executive Director | 6 months | 6 months | In accordance with normal statutory entitlements |
| M Burnett | CFO | 6 months | 6 months | In accordance with normal statutory entitlements |
| R Carstensen | Group General Manager - Corporate | 3 months | 3 months | In accordance with normal statutory entitlements |
| S McKearney | Group General Manager - New Zealand | 3 months | 3 months | In accordance with normal statutory entitlements |

# 3 NON-EXECUTIVE DIRECTOR REMUNERATION

## 3.1 Non-Executive Director remuneration governance

As detailed in section 1.2, the Remuneration Committee is responsible for reviewing remuneration arrangements and making recommendations to the Board in respect of directors. In relation to directors' remuneration arrangements, the Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, at a cost which is acceptable to shareholders.

In accordance with best practice corporate governance, the structure of Non-Executive Director remuneration is separate and distinct from executive remuneration and is further detailed below.

## 3.2 Non-Executive Director remuneration structure

The aggregate remuneration of Non-Executive Directors is determined from time to time by a general meeting. The latest determination was at the 2010 Annual General Meeting when shareholders approved an aggregate remuneration of $1,500,000 per year. The amount of aggregate remuneration to be approved by shareholders, together with the fee structure, is reviewed annually. The Board considers advice from external consultants from time-to-time as well as fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process. The Board is not proposing any change to the aggregate level of remuneration. A break down of director fees is below.

| Role | Fee | Summary |
|---|---|---|
| Chairperson | $175,000 | The payment of the higher fee to the Chairman recognises the additional time commitment required and also covers all Board Committee fees. |
| Non-Executive Director | $100,000 | Fee paid in recognition of time commitment and service to the Group's Board. |
| Committee Fee | $10,000 (Chairman of Audit & Risk Committee receives $25,000) | Additional fee to Non-Executive Directors for serving on or chairing one or more Committees. A committee fee is not paid to the Board Chairman. |

The Directors' fees have not increased since 1 July 2011 and there is no intention to increase the individual director fees for the year ended 30 June 2018. Non-Executive Directors do not receive any performance related remuneration or retirement allowances. The remuneration of Non-Executive Directors for the years ended 30 June 2017 and 30 June 2016 is detailed in the following statutory table. The process for review of Non-Executive Directors' performance is explained in the Corporate Governance Statement.

## 3.3 Non-Executive Director remuneration

| NON-EXECUTIVE DIRECTOR | Short-term benefits<br>Cash salary ($) | Other ($) | Post-employment benefits<br>Superannuation ($) | Total ($) |
|---|---|---|---|---|
| G Hounsell (Chairman) - appointed 4 October 2016 | | | | |
| 2017 | 130,577 | - | 12,405 | 142,982 |
| P Spathis | | | | |
| 2017 | 100,457 | - | 9,543 | 110,000 |
| 2016 | 97,032 | - | 9,218 | 106,250 |
| M Ferraro - appointed 1 January 2017 | | | | |
| 2017 | 62,500 | - | 5,938 | 68,438 |
| A Finch - appointed 1 January 2017 | | | | |
| 2017 | - | - | - | - |
| R Marcolina (Former Acting Chairman) | | | | |
| 2017 | 55,000 | - | - | 55,000 |
| 2016 | 87,083 | - | - | 87,083 |
| A Cummins (Former Non-Executive Director) | | | | |
| 2017 | 39,925 | - | 3,793 | 43,718 |
| 2016 | 100,457 | - | 9,543 | 110,000 |
| B Johnson (Former Chairman) | | | | |
| 2016 | 100,455 | 180,000 | 10,260 | 290,715 |
| A John (Former Non-Executive Director) | | | | |
| 2016 | 22,917 | - | - | 22,917 |
| J Millar (Former Non-Executive Director) | | | | |
| 2016 | 64,326 | - | 6,111 | 70,437 |
| J McKellar (Former Non-Executive Director) | | | | |
| 2016 | 38,052 | - | 3,615 | 41,667 |
| | | | | |
| **2017 TOTAL** | **388,459** | **-** | **31,679** | **420,138** |
| **2016 TOTAL** | **510,322** | **180,000** | **38,747** | **729,069** |

On 1 January 2017, Mr Finch was appointed to the Board. By agreement, no fees were paid to Mr Finch or Qantas Airways Limited in relation to his directorship. Amounts in the above table in relation to Mr Marcolina and Mr John were paid to Qantas Airways Limited.

During 2016, Mr Johnson was paid an additional one off payment of $180,000 in recognition of his additional contribution to the Group during the leadership transition involving the Helloworld Limited merger with the AOT Group.

## 3.4 Non-Executive Director shareholdings

| NON-EXECUTIVE DIRECTOR | Number of shares at 1 July 2016 | Additions | Removal as no longer KMP | Number of shares at 30 June 2017 |
|---|---|---|---|---|
| G Hounsell (Chairman) | - | 59,000 | - | 59,000 |
| M Ferraro | - | - | - | - |
| A Finch | - | - | - | - |
| R Marcolina (Former Acting Chairman) | - | - | - | - |
| A Cummins (Former Non-Executive Director) | 158,833 | - | (158,833) | - |
| P Spathis | 83,333 | - | - | 83,333 |
| **TOTAL** | **242,166** | **59,000** | **(158,833)** | **142,333** |

This concludes the remuneration report, which has been audited.

## Auditor Independence

The Directors received the declaration of independence on page 43 from PricewaterhouseCoopers, the auditor of Helloworld Travel. This declaration confirms the auditor's independence and forms part of the Directors' Report.

## Non-Audit Services

During the year PricewaterhouseCoopers, has performed certain other services in addition to its statutory duties. Consistent with written advice provided by the Audit Committee, the Directors have resolved and are satisfied that the provision of these non-audit services is compatible with, and did not compromise, the general standard of independence of auditors imposed by the auditor independence requirements of the Corporations Act 2001. The reasons for this are that all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor. The non-audit services provided do not undermine the general principles relating to auditor independence, as set out in APES 110 Codes of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards. The lead auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 43 and forms part of the Directors' Report for the financial year ended 30 June 2017. Details of the amounts paid to PricewaterhouseCoopers, for audit and non-audit services are set out in note 22 of the Financial Statements on page 83 of the Financial Report.

## Rounding

The amounts contained in this Directors' Report and in the Financial Report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under Australian Securities & Investments Commission ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Made in accordance with a resolution of the Directors.

Garry Hounsell

Chairman
Helloworld Travel Limited
Melbourne, 23 August 2017

# Auditor's Independence Declaration

As lead auditor for the audit of Helloworld Travel Limited for the year ended 30 June 2017, I declare that 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
23 August 2017

***PricewaterhouseCoopers, ABN 52 780 433 757***
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# CORPORATE GOVERNANCE STATEMENT

## Overview

The Board of Helloworld Travel Limited (the Company) governs the business on behalf of shareholders as a whole with the prime objective of protecting and enhancing shareholder value. The Board is committed to the highest standards of ethics and integrity and ensures that senior management run the Group in accordance with these standards. The Board monitors the Company's governance framework and practices to ensure it fulfils its corporate governance obligations.

This statement has been approved by the Board and outlines the main corporate governance practices employed by the Company. The Company endorses the ASX Corporate Governance Principles and Recommendations (3rd Edition) released in March 2014 by the ASX Corporate Governance Council (ASX CGP) and where it has not adopted a particular recommendation, a detailed explanation is provided.

This statement is current at 23 August 2017.

## 1 Laying solid foundations for management and oversight

The relationship between the Board and senior management is critical to the Company's long term success. The Board is responsible for the performance of the Company in both the short and longer term and seeks to balance sometimes competing objectives in the best interests of the Group as a whole. The key aims of the Board are to ensure that the Company is properly managed and has an appropriate corporate governance structure to ensure the creation and protection of shareholder value.

The role and responsibilities of the Board, the Chairperson and individual Directors are set out in the Company's Board Charter. A copy of the Board Charter is available from the Corporate Governance section of the Company's website at www.helloworldlimited.com.au.

The Board's key responsibilities and those matters expressly reserved to the Board are set out in the Board Charter and include:

- Setting the strategic direction of the Company and monitoring the implementation of that strategy by management;
- Oversight of the Company, including its control and accountability systems;
- Appointing and removing the CEO, CFO and Company Secretary;
- Board and Executive Management development and succession planning;
- Approving the annual operating budget;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions/ divestitures;
- Monitoring compliance with legal, tax and regulatory obligations;
- Reviewing and ratifying systems of risk management, governance, internal compliance and controls, code of conduct, continuous disclosure, legal compliance and other significant corporate policies;
- Reviewing the effectiveness of the Company's risk management systems;
- Approving and monitoring financial and other reporting to the market; and
- Appointment, reappointment or replacement of the external auditor.

Day-to-day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and other senior executives. Authority for these matters is delegated to the CEO, CFO and senior management under the Delegations of Authority Policy and the delegations are subject to certain specified value thresholds.

These matters include:

- Incurring budgeted and unbudgeted operating expenditure;
- Incurring budgeted and unbudgeted capital expenditure;
- Write-downs, bad debts, asset or equity disposals and acquisitions; and
- Approval of entry into contracts.

Prior to their appointment, the Board ensures that appropriate checks including background and reference checks are conducted on candidates for the role of director (these may be conducted by external consultants and by other Directors). Candidates also meet with existing directors prior to the Board's decision to appoint them.

To ensure that Directors clearly understand the requirements of the role, a formal letter of appointment including terms, conditions and responsibilties of the role are provided to them.

### Senior executive performance

With the assistance of the Remuneration Committee, the Chairman undertakes an annual review of the performance of the CEO against key performance indicators.

The CEO reviews the performance of their direct reports against key performance indicators and reports this to the Remuneration Committee.

## 2 Structure of the Board

### Board composition

The Directors determine the composition and size of the Board in accordance with the Company's Constitution. The Constitution empowers the Board to set upper and lower limits with the number of Directors not permitted to be less than three. There are currently six Directors appointed to the Board.

Under the Board Charter, the appointment and removal of the Company Secretary is the responsibility of the Board. The Company Secretary reports directly to the Chairman in relation to all matters relating to the proper functioning of the Board.

The Company uses a Board Skills Matrix to ensure that its membership includes an appropriate mix of skills, experience and expertise and to assist in identifying the skills most desired in potential candidates for appointment to the Board. The matrix is also a tool for identifying professional development opportunities for existing directors to develop and maintain the skills and knowledge required to effectively perform their role as directors.

| Board Skills Matrix | Number out of 6 directors |
|---|---|
| Travel Industry Experience - Australia | 5 |
| Travel Industry Experience - International | 5 |
| Franchise Operations | 3 |
| Technology & Digital Economy | 1 |
| Brand Development, Marketing | 3 |
| Governance & Compliance | 5 |
| Listed Company Experience | 5 |
| Relationship/Stakeholder Management | 6 |
| Remuneration, Human Resources | 6 |
| Legal | 3 |
| Wide Industry Experience | 2 |
| Financial Experience | 4 |
| Strategic Planning & Risk | 6 |
| Health & Safety | 6 |

Further details regarding the Directors' qualifications, special responsibilities, skills, experience and expertise (including the period of office held by each Director) is set out in the Directors' Report on pages 10 to 13.

### Director Independence

As at 30 June 2017, based on the factors relevant to assessing the independence of directors included in the ASX CGP, two Directors, Garry Hounsell and Mike Ferraro, are deemed to be independent.

The remainder of the Board is not independent for the following reasons:

- Andrew Finch is an executive of Qantas Airways Limited, the ultimate holding company of QH Tours Ltd, a substantial shareholder of Helloworld Travel Limited and a company having a material business relationship with the Company as a supplier of product and a customer for distribution services;
- Peter Spathis is employed as Chief Financial Officer of Consolidated Travel Pty Ltd, which operates in the travel industry, and within the Alysandratos Group of Companies, which includes Sintack Pty Ltd ('Sintack'), a substantial shareholder of Helloworld Travel Limited;
- Andrew Burnes is the Company's Chief Executive Officer and Managing Director, and a substantial shareholder of the Company; and
- Cinzia Burnes is the Company's Group General Manager - Wholesale and Inbound, Executive Director and a substantial shareholder of the Company.

The length of each Directors' tenure as a director is set out in the Directors' Report on pages 10 to 13.

### Independent Decision Making

During the reporting period, the role of Chairman was held by Rob Marcolina until 4 October 2016 and from that date by Garry Hounsell. Mr Hounsell is an independent director of the Company.

During the year to 4 October 2016, the Board considered Mr Marcolina the director best qualified to fulfil the role as Chairman notwithstanding he was not independent, whilst undertaking the process of appointing an independent Chairman. During this time Mr Marcolina exercised sound and independent judgement on matters coming before the Board and acted at all times in the best interests of the Company.

QH Tours Ltd and Sintack Pty Ltd have each nominated members to the current Board. Those nominees bring to the Board the requisite skills which are complementary to those of the other Directors and enable them to adequately discharge their responsibilities as Non-Executive Directors. All Directors bring independent judgement to bear on their decisions.

As Executive Directors, Mr Burnes in his role as CEO and Managing Director and Mrs Burnes in her role as Group General Manager - Wholesale and Inbound, are not considered by the Board to be Independent Directors.

The materiality thresholds used to assess director independence are set out in the Board Charter. The Board believes that the interests of the shareholders are best served by:

- the current composition of the Board which is regarded as balanced with a complementary range of skills, diversity and experience as detailed in the Directors' Report; and
- the Independent Directors providing an element of balance as well as making a considerable contribution in their fields of expertise.

The following measures are in place to ensure the decision making process of the Board is subject to independent judgement:

- a standing item on each Board meeting agenda requires Directors to focus on and declare any conflicts of interest in addition to those already declared;
- Directors are permitted to seek the advice of independent experts at the Company's expense, subject to the approval of the Chairman;
- all Directors must act at all times in the interests of the Company; and
- the directors meet regularly without management present.

Adoption of these measures ensures that the interests of shareholders, as a whole, are not jeopardised by a lack of independence.

A majority of the Board are not independent and the Company recognises that this is a departure from Recommendation 2.5 of the ASX CGP.

## Nominations and Governance Committee

On 28 October 2016 a separate and stand-alone Nominations & Governance Committee was established. The former Remuneration and Nominations Committee's specific responsibilities in relation to the nomination, appointment and re-election of directors were taken up by this new committee and are set out in the Nominations and Governance Committee's charter, which is available in the Corporate Governance section of the Company's website.

The remuneration responsibilities of the Remuneration and Nominations Committee were retained by this Committee and it was renamed the Remuneration Committee.

From 28 October 2016, the following Non-Executive Directors were members of the Nominations and Governance Committee:

- G Hounsell (Chairman)
- R Marcolina (until 31 December 2016)
- A Burnes
- C Burnes
- P Spathis
- M Ferraro (from 1 January 2017)
- A Finch (from 1 January 2017)

The terms of reference, role and responsibility of the Nominations and Governance Committee are consistent with ASX CGP 2.1 except that it does not have a majority of Independent Directors. The Chairman of the Committee is an independent director and the Committee members are considered to have the appropriate experience to serve on the Committee.

More information regarding the Committee is set out on page 50 in this Corporate Governance Statement under the heading 'Remunerating fairly and responsibly'.

For the year to 27 October 2016, the following Non-Executive Directors were members of the Remuneration and Nominations Committee:

- A Cummins (Chairman)
- R Marcolina

Details of these Directors' qualifications, their attendance at Remuneration Committee and Nominations and Governance Committee meetings, and the number of meetings held during FY17 are set out in the Directors' Report on pages 10 to 14.

The Board seeks to ensure that collectively its membership represents an appropriate balance between Directors with experience and knowledge of the Company and Directors with an external or fresh perspective. It reviews the range of expertise of its members on a regular basis and seeks to ensure that it has operational and technical expertise relevant to the operations of the Company.

Directors are nominated, appointed and re-elected to the Board in accordance with the Board's policy on these matters set out in the Charter, the Company's Constitution and the ASX Listing Rules. In considering appointments to the Board, the extent to which the skills and experience of potential candidates complement those of the Directors in office is considered along with an assessment of the nature of the skills, experience, expertise, diversity and other attributes which would benefit the Board in fulfilling its responsibilities.

### Board performance

The Board undertakes an annual self-assessment of its collective performance and the performance of its committees, by way of a series of questionnaires. The results are collated and discussed at a Board meeting and any action plans are documented together with specific performance goals which are agreed for the coming year.

The outcomes from this Board and Committee performance review were:

- Provide the environment and professional development opportunities for the relatively new Board to continue to develop and grow as individual Directors and to maximise their contribution to the Board functioning as an effective and cohesive unit as they continue to work together; and
- Consider further measures the Board can adopt to maximize director participation in Board discussions while appropriately managing potential conflicts of interest.

An assessment of individual Director's performance was undertaken during the year. This assessment consisted of a self-assessment questionnaire completed by each Director and an individual discussion with the Board Chairman. The assessment and discussion in relation to the Chairman's performance was undertaken by the Chairman of the Audit & Risk Committee.

### Access to information

Directors may access all relevant information required to discharge their duties in addition to information provided in Board papers and regular presentations delivered by executive management on business performance and issues. With the approval of the Chairman, Directors may seek independent professional advice, as required, at the Company's expense.

## 3 Ethical and responsible decision making

A Standards of Conduct Policy is in place to promote ethical and responsible practices and standards for Directors, employees and consultants of the Company in the discharge of their responsibilities. This Policy reflects the directors' and senior executives' intention to ensure that their duties and responsibilities to the Company are performed with the utmost integrity. A copy of the Standards of Conduct Policy is available to all employees and is also available in the Corporate Governance section of the Company's website.

### Diversity

The Board has established a Diversity Policy which supports the commitment of the Company to an inclusive workplace that embraces and promotes diversity and provides a framework for new and existing diversity related initiatives, strategies and programs within the business. A copy of the policy is available in the Corporate Governance section of the Company's website and the terms are consistent with ASX CGP 3.

In accordance with this policy and ASX CGP, the Board has established the following measurable objectives in relation to gender diversity:

- The Board will actively seek suitable women applicants for Board vacancies;
- The proportion of females on the Board should not fall below current levels unless a transparent process fails to succeed in attracting a suitable woman candidate; and
- The proportion of females reporting to the CEO should not fall below the current levels unless a transparent process fails to succeed in attracting suitable women candidates.

The Group has developed and implemented a 'keep in touch' program for employees on maternity leave including a support program for transition back into the workplace. This entails a formal program of the relevant staff members meeting with their supervisor every three months, invitations to staff functions, morning teas to keep in touch and refresher courses offered where required.

During the 2017 financial year, three new Directors were appointed, including a new Chairman, with two Directors retiring. A transparent selection process was undertaken to fill the Board vacancies. As the three new Board appointments were male this had the impact of reducing the proportion of females on the Board. During the 2017 financial year, there were no changes of personnel reporting to the CEO and therefore the level of gender diversity has remained at 30 June 2016 levels.

The Company recognises the importance and prominence of diversity across Australian workplaces and accordingly the Board has agreed to a Diversity Plan for the 2018 financial year that encompasses:

- The Helloworld Travel Reconciliation Action Plan which is designed to:
  - Attract and retain indigenous employees
  - Develop indigenous support through training
- Building an Inclusive culture through:
  - Identifying and removing unconscious bias
  - Enhancing employee health and wellbeing programs
  - Reviewing employment flexibility options and offerings
- Increasing gender diversity through:
  - Increasing the number of women on the Board, when possible
  - Developing internal career pathways for women to progress into senior roles

Helloworld Travel's specific goals and actions include:

- Focussing leadership attention on the gender pay gap through the CEO and leadership team working together to set targets and timeframes to address the gender pay gap at the organisation level;
- Reviewing the gender pay gap on an annual basis to track progress;
- Investigating the development of training sessions for senior leaders to increase awareness of the types of unconscious bias within the workplace;
- Reviewing current parental leave program and where possible ensure policy is consistent across the group; and
- Emphasis will be placed on seeking female candidates to fill any vacant Senior Leadership Group positions.

### Proportion of women in the organisation

At 30 June there were 1,312 female employees in the Group representing 70.9 % of the workforce. In addition, there were 4 female employees representing 30.8 % of the workforce who report to the CEO and CEO's direct reports. There was one female on the Board which represents 16.7% of the Board.

### Share trading

A Share Trading Policy is in place for directors, senior executives and employees. The objectives of the policy are to minimise the risk of directors and employees who may hold material non-public information contravening the laws against insider trading, ensure the Company is able to meet its reporting obligations under the ASX Listing Rules and increase transparency with respect to trading in securities of the Company. A copy of the policy is available in the Corporate Governance section of the Company's website.

### Protected disclosures

The Group's Whistleblower Policy encourages employees to report concerns in relation to illegal, unethical or improper conduct in circumstances where they may be apprehensive about raising their concern because of fear of possible adverse repercussions. The Whistleblower Policy is available to all Helloworld Travel employees and is also available in the Corporate Governance section of the Company's website.

## 4 Integrity of financial reporting

The Board has an Audit & Risk Committee to assist the Board in the discharge of its responsibilities.

During the reporting period, the following Non-Executive Directors were members of the Audit & Risk Committee:

- Mike Ferraro (Chairman and member from 1 January 2017)
- Andrew Finch (from 1 January 2017)
- Peter Spathis (member for the full year and Acting Chairman to 31 December 2016)
- Rob Marcolina (until 31 December 2016)
- Andrew Cummins (until 22 November 2016)

The Audit & Risk Committee charter is available in the Corporate Governance section of the Company's website and the composition, operations and responsibilities of the Committee are consistent with ASX CGP 4.1, except that, due to the small number of Independent Directors, the Audit Committee does not have a majority of Independent Directors. The members of the Audit Committee are however considered to be the best qualified to serve on the Committee given their background and experience.

From 22 January 2016 until 31 December 2016, Peter Spathis, a non-independent director served as the Committee's acting Chairman until the appointment of Mike Ferraro as an independent Director and the

Committee's Chairman on 1 January 2017. The Company recognises that Mr Spathis' chairmanship of this Committee is a departure from Recommendation 4.1 of the ASX CGP. However, the Board considers that on the basis of his skills and professional background, Peter Spathis was the director best qualified to fulfil the role of Acting Chairman given the composition of the Board post the completion of the merger with the AOT Group, notwithstanding that he is not independent.

Details of these Directors' qualifications and attendance at Audit & Risk Committee meetings are set out in the Directors' Report on pages 10 to 14.

The Board and Audit & Risk Committee closely monitor the independence of the external and internal auditors. Regular reviews of the independence safeguards put in place by the internal and external auditors are undertaken including the rotation of the external audit engagement partner every five years.

The lead audit partner responsible for the Group's external audit is required to attend each Annual General Meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## 5 Timely and balanced disclosure

The Company has a written Continuous Disclosure Policy in relation to the market disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities in order to ensure compliance with its obligations under the ASX Listing Rules.

A copy of the Continuous Disclosure Policy is located in the Corporate Governance section of the Company's website.

## 6 Rights of shareholders

The Group's Shareholder Communications Policy promotes effective communication with the Company's shareholders and encourages shareholder participation at Annual General Meetings. A copy of this Policy, which deals with communication through the ASX, the Share Registry, shareholder meetings and the Annual Report, may be found in the Corporate Governance section of the Company's website. All of the Company's announcements to the market may also be accessed through the Company's website and the Helloworld Travel Limited Annual Reports since 2007 are posted here.

Copies of each of the Board and Committee charters and policies relevant to the governance of the Company can also be found on the Company's website.

The Company ensures that the explanatory notes accompanying its Notices of Annual General Meeting provide shareholders with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a director at an Annual General Meeting, including a recommendation from the Board. These notices are available under Investor and ASX Releases on the Company's website.

The Chairman ensures that shareholders are provided with the opportunity to question the Board concerning the operations of the Company at the Annual General Meeting and other shareholder meetings. They are also afforded the opportunity to question the Company's auditors at that meeting concerning matters related to the audit of the Company's financial statements. Shareholders who are unable to attend the meeting are provided with the opportunity to submit questions and comments before the meeting to the Company or to the auditor.

The CEO and CFO endeavour to respond to queries from shareholders and analysts for information in relation to the Company, provided the information requested is not price sensitive.

Shareholders have the option to receive communications from and send communications to the Company and its share registrar electronically if they wish to do so. They also have the option of voting online on resolutions to be put at the Company's Annual General Meetings.

## 7 Recognising and managing risk

The Company has a written policy for the oversight and management of its material business risks. The Group takes a proactive approach to risk management. The Board and Audit & Risk Committee are primarily responsible for ensuring that risks are identified and reviewed on a timely basis. A copy of the Risk Management Policy is located in the Corporate Governance section of the Company's website.

Under the Risk Management Policy, the Board is responsible for:

- Overseeing and approving the establishment and implementation of the Company's risk management, internal controls and compliance systems;

- Reviewing the effectiveness of the Company's risk management, internal control and compliance systems at least annually, and satisfying itself that management has developed and implemented a sound system of risk management and internal control; and
- Approving the delegations of authority for day-to-day management of the Company's operations.

Under the Risk Management Policy, the Audit & Risk Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities with regard to:

- The reliability and integrity of information for inclusion in the Company's financial statements;
- Enterprise-wide risk management;
- Compliance with legal and regulatory obligations, including audit, accounting, tax, and financial reporting obligations;
- The integrity of the Company's internal control framework; and
- Safeguarding the independence of the external and internal auditors.

Details of the members of the Audit & Risk Committee are set out above in the Integrity of financial reporting section of this Corporate Governance Statement.

The Company's Senior Leadership Group (SLG) also plays a significant role in identifying, assessing, monitoring and managing risks. The SLG, supported by the Group's Risk team, are responsible for assisting the Audit & Risk Committee to ensure that robust risk management exists across the organisation. The SLG ensures that a sufficient level of risk analysis is applied to critical decisions and provides assurance to the Audit & Risk Committee that risk processes at all levels are effective and compliant with the Company's Risk Management Policy.

The Board has received a report from Management as to the effectiveness of the Company's management of its material business risks during the year.

The Board has also received from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Information in relation to the economic, environmental and social sustainability risks facing the Company and the manner in which these are managed are included in the Operating and Financial Review on pages 16 to 27 of the Annual Report.

### Internal Audit

An internal audit program is an important element of the Company's risk management processes. While the Company does not have an in-house internal audit function, it engages independent, expert consultants to conduct internal audit work on its behalf on a case by case basis. The consultants engaged are those considered on the basis of their skill set to be best able to undertake a particular audit. Areas of focus for internal audits are identified by reference to the Company's risk management framework. The findings and recommendations generated by the internal audits are evaluated and reviewed by the Audit & Risk Committee.

During the reporting period, an internal audit of the Company's Payment Card Industry (PCI) Data Security Standard compliance project was conducted by an external consultant, with the findings reported to the Audit & Risk Committee. The objective of this internal audit was to review the Company's PCI compliance project with a specific focus on the project scope, approach, compliance, risks and technical requirements. The outcome of the internal audit was used to drive improvements in data security and meet compliance requirements.

## 8 Remunerating fairly and responsibly

The Group's remuneration philosophy, objectives and arrangements are detailed in the Remuneration Report which forms part of the Directors' Report.

### Directors

The annual total of fees paid to Non-Executive Directors is set by the Company's shareholders and allocated as Directors' Fees and Committee Fees by the Board on the basis of the roles undertaken by the Directors. Full details of Directors' remuneration appear in the Remuneration Report. These fees are inclusive of statutory superannuation contributions. No retirement benefits are paid to Non-Executive Directors and no equity-based remuneration scheme exists for them.

Details of the remuneration arrangements for the Company's Executive Directors are set out in the Remuneration Report on pages 32 to 41.

## Remuneration

The Board has established a Remuneration Committee to assist the Board in the discharge of its duties in relation to remuneration.

Details of the Non-Executive Directors who were members of the Remuneration Committee during the reporting period are set out in Remuneration Committee section of this Corporate Governance Statement.

The Remuneration Committee Charter is available in the Corporate Governance section of the Company's website. The composition of the Committee is a departure from ASX CGP 8.1 on the basis that the Remuneration Committee does not have a majority of independent directors however the Chairman of the Committee is an independent director. The members of the Committee are however, considered to be the best qualified to serve their respective roles on the Committee given their background and experience.

Details of the Directors' qualifications and attendance at the Remuneration Committee meetings are set out in the Directors' Report on pages 10 to 14.

## Executive management

Remuneration for executive management is generally set to be competitive so as to both retain executives and attract experienced executives to the Company. Remuneration comprise a fixed (cash) element and variable incentive components. Payment of the variable components will depend on the Company's financial performance and the executive's personal performance.

In 2017, a loan based equity long term incentive plan (LTIP) was established and targeted to a group of executives and senior leaders within the business. LTIP allocations are limited to key executives and senior leaders who are considered critical to the ongoing success of the Group.

The Company's Share Trading Policy prohibits executives participating in the equity based remuneration scheme from entering into any arrangement that operates, or is intended to operate, to limit their exposure to risk in relation to these shares.

A copy of the Share Trading Policy is available from the Corporate Governance section of the Company's website.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2017

| | Note | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **REVENUE** | 2 | **326,433** | **300,549** |
| **EXPENSES** | | | |
| Employee benefits expenses | 3 | (139,820) | (134,065) |
| Advertising and marketing expenses | | (32,552) | (38,086) |
| Selling expenses | | (38,921) | (33,905) |
| Communications and technology expenses | | (21,749) | (20,754) |
| Occupancy and rental expenses | | (14,351) | (14,065) |
| Operating expenses | | (25,149) | (34,763) |
| Profit on disposal of investments | 30 | 429 | 379 |
| Share of profit of associates accounted for using the equity method | 11 | 859 | - |
| Earnings before interest expense, tax, depreciation and amortisation (EBITDA) | | 55,179 | 25,290 |
| Finance expense | 4 | (3,066) | (3,381) |
| Depreciation and amortisation expense | 3 | (21,076) | (18,459) |
| **PROFIT BEFORE INCOME TAX EXPENSE** | | **31,037** | **3,450** |
| Income tax expense | 6 | (9,446) | (1,774) |
| **PROFIT AFTER INCOME TAX EXPENSE FOR THE YEAR** | | **21,591** | **1,676** |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Defined benefit plan actuarial loss | 32 | - | (2,405) |
| Deferred tax benefit on defined benefit plan | 6 | - | 722 |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Change in fair value of cash flow hedges | 20 | 407 | (826) |
| Income tax benefit/(expense) on cash flow hedges | 20 | (108) | 220 |
| Exchange differences on translation of foreign operations | 20 | (1,012) | 2,329 |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX** | | **(713)** | **40** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **20,878** | **1,716** |
| **PROFIT FOR THE YEAR IS ATTRIBUTABLE TO:** | | | |
| Non-controlling interest | | 81 | (23) |
| Owners of Helloworld Travel Limited | | 21,510 | 1,699 |
| | | **21,591** | **1,676** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:** | | | |
| Non-controlling interest | | 81 | (23) |
| Owners of Helloworld Travel Limited | | 20,797 | 1,739 |
| | | **20,878** | **1,716** |
| | | Cents | Cents |
| Basic earnings per share | 8 | **18.8** | **1.9** |
| Diluted earnings per share | 8 | **18.4** | **1.9** |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2017

| | Note | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | 198,070 | 202,621 |
| Trade and other receivables | 10 | 125,592 | 134,233 |
| Inventories | | 164 | 191 |
| **TOTAL CURRENT ASSETS** | | **323,826** | **337,045** |
| **NON-CURRENT ASSETS** | | | |
| Investments accounted for using the equity method | 11 | 16,657 | 1,563 |
| Investment properties | | 175 | 175 |
| Property, plant and equipment | 12 | 13,827 | 19,560 |
| Intangible assets | 13 | 283,302 | 285,856 |
| Deferred tax assets | 14 | 888 | 1,203 |
| Other non-current assets | | 268 | 196 |
| **TOTAL NON-CURRENT ASSETS** | | **315,117** | **308,553** |
| **TOTAL ASSETS** | | **638,943** | **645,598** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 202,306 | 220,783 |
| Borrowings | 16 | 104 | 287 |
| Provisions | 17 | 14,903 | 13,830 |
| Deferred revenue | | 73,367 | 82,967 |
| Derivative financial instruments | 24 | 799 | 1,526 |
| Income tax payable | | 5,879 | 1,419 |
| **TOTAL CURRENT LIABILITIES** | | **297,358** | **320,812** |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 16 | 20,253 | 46,352 |
| Deferred tax liabilities[1] | 18 | 35,191 | 32,796 |
| Provisions | 17 | 3,249 | 3,233 |
| Other non-current liabilities | | 2,988 | 4,007 |
| **TOTAL NON-CURRENT LIABILITIES** | | **61,681** | **86,388** |
| **TOTAL LIABILITIES** | | **359,039** | **407,200** |
| **NET ASSETS** | | **279,904** | **238,398** |
| **EQUITY** | | | |
| Issued capital | 19 | 395,081 | 366,235 |
| Reserves | 20 | 7,150 | 163,051 |
| Accumulated losses[1] | 21 | (123,717) | (292,218) |
| Equity attributable to the owners of Helloworld Travel Limited | | 278,514 | 237,068 |
| Non-controlling interest | | 1,390 | 1,330 |
| **TOTAL EQUITY** | | **279,904** | **238,398** |

[1] *Comparatives as at 30 June 2016 have been restated, refer to note 1 for further details.*

*The above statement of financial position should be read in conjunction with the accompanying notes*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2017

| CONSOLIDATED | Issued capital $'000 | Reserves $'000 | Accumulated losses $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| **BALANCE AT 1 JULY 2015** | **278,755** | **161,636** | **(263,014)** | **99** | **177,476** |
| Adjustment for change in accounting policy (refer note 1) | - | - | (29,220) | - | **(29,220)** |
| **BALANCE AT 1 JULY 2015 - RESTATED** | **278,755** | **161,636** | **(292,234)** | **99** | **148,256** |
| Profit/(loss) after income tax expense | - | - | 1,699 | (23) | **1,676** |
| Other comprehensive income/(loss) | - | 1,723 | (1,683) | - | **40** |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | **-** | **1,723** | **16** | **(23)** | **1,716** |
| *Transactions with owners in their capacity as owners net of tax:* | | | | | |
| Long term incentive plan expensed: | - | (308) | - | - | **(308)** |
| Issue of new shares, net of transaction costs | 87,480 | - | - | - | **87,480** |
| *Transactions with non-controlling interest:* | | | | | |
| Acquisitions | - | - | - | 1,254 | **1,254** |
| **BALANCE AT 30 JUNE 2016** | **366,235** | **163,051** | **(292,218)** | **1,330** | **238,398** |

| CONSOLIDATED | Issued capital $'000 | Reserves $'000 | Accumulated losses $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| **BALANCE AT 1 JULY 2016** | **366,235** | **163,051** | **(292,218)** | **1,330** | **238,398** |
| Profit after income tax expense | - | - | 21,510 | 81 | **21,591** |
| Other comprehensive income/(loss) | - | (713) | - | - | **(713)** |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | **-** | **(713)** | **21,510** | **81** | **20,878** |
| Transfer of predecessor accounting reserve to accumulated losses | - | (156,400) | 156,400 | - | **-** |
| *Transactions with owners in their capacity as owners net of tax:* | | | | | |
| Long term incentive plan expensed | - | 531 | - | - | **531** |
| Franchise loyalty plan expensed | - | 681 | - | - | **681** |
| Issue of new shares, net of transaction costs | 28,846 | - | - | - | **28,846** |
| Dividends paid | - | - | (9,409) | - | **(9,409)** |
| *Transactions with non-controlling interest:* | | | | | |
| Dividends paid | - | - | - | (21) | **(21)** |
| **BALANCE AT 30 JUNE 2017** | **395,081** | **7,150** | **(123,717)** | **1,390** | **279,904** |

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2017

| | Note | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers (inclusive of GST) | | 3,102,699 | 2,846,533 |
| Payments to suppliers and employees (inclusive of GST) | | (3,069,618) | (2,844,631) |
| Interest received | | 2,624 | 3,638 |
| Finance costs paid | | (2,450) | (2,953) |
| Income taxes paid | | (4,187) | (271) |
| **NET CASH FROM OPERATING ACTIVITIES** | 23 | **29,068** | **2,316** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for intangibles | | (7,751) | (10,444) |
| Payments for property, plant and equipment | | (2,720) | (6,014) |
| Payments for investments in associates | 11 | (14,217) | - |
| Payments for acquisition of businesses | 30 | (664) | - |
| Net cash acquired from acquisition of controlled entities | 30 | - | 15,040 |
| Payments for deferred settlement on acquisition of controlled entities | 30 | (731) | - |
| Payments for acquisitions of stores | | - | (736) |
| Proceeds from disposals of investments | 30 | 498 | 739 |
| Proceeds from disposal of property, plant and equipment | | 178 | 188 |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(25,407)** | **(1,227)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | - | 32,000 |
| Repayment of borrowings | | (26,883) | (10,000) |
| Proceeds of share issue, net of transaction costs | | 28,440 | - |
| Dividends paid to company shareholders | 7 | (9,409) | - |
| Dividends paid to minority shareholder | | (21) | - |
| **NET CASH FROM/(USED IN) FINANCING ACTIVITIES** | | **(7,873)** | **22,000** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(4,212)** | **23,089** |
| Cash and cash equivalents at the beginning of the financial year | | 202,621 | 176,141 |
| Effects of exchange rate changes on cash and cash equivalents | | (339) | 3,391 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR** | 9 | **198,070** | **202,621** |

*The above statement of cash flows should be read in conjunction with the accompanying notes*

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Basis of preparation

### (a) Reporting entity

Helloworld Travel Limited (The Company) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX).

Helloworld Limited changed its name to Helloworld Travel Limited following approval by the company's shareholders at a General Meeting held on 10 April 2017.

The financial statements of Helloworld Travel Limited and its controlled entities (the Group), for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 23 August 2017. The directors have the power to amend and reissue the financial statements. The nature of the operations and principal activities of the Group are described in the Directors' Report. Helloworld Travel is a for profit entity for the purpose of preparing the financial statements.

### (b) Presentation and measurement

#### (i) Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

#### (ii) Basis of measurement

These financial statements have been prepared on a historical cost basis except for, financial assets and financial liabilities (including derivative instruments) and investment property measured at fair value.

#### (iii) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191 relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, except where otherwise indicated.

#### (iv) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Group's presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

## (v) Comparative periods

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

## (vi) Consistent application of accounting policies

The accounting policies have been consistently applied by all entities included in the Group consolidated financial statements. Refer note 34 for the principal accounting policies applied in the preparation of the financial statements. The accounting policies have been consistently applied compared with prior year presented except for the accounting policy change on the recognition of deferred tax liabilities for indefinite life intangible assets.

## (vii) Changes in accounting policies

### Recognition of deferred tax liability for indefinite life intangible assets

In November 2016, the IFRS Interpretation Committee ("IFRIC") published a summary of its meeting discussions regarding the expected manner of recovery of an intangible asset with an indefinite useful life for the purposes of measuring deferred tax in accordance with AASB 112 Income Taxes.

The IFRIC decided not to take this issue to its agenda, however it provided guidance on the application of existing IFRS. It noted that an intangible asset with an indefinite useful life is not a non-depreciable asset. This is because an asset with an indefinite useful life is one where there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows, but this is not an infinite period. Consequently, the fact that an entity does not amortise an intangible asset with an indefinite useful life does not necessarily mean that the entity will recover the carrying amount of that asset only through sale and not through use.

As a result, the Group has changed its accounting policy retrospectively for the accounting of deferred income tax on intangible assets with indefinite useful lives in relation to the indefinite life intangible asset of the Franchise System, reported at $97.4 million as at 30 June 2015. This has resulted in the recognition of a deferred tax liability based on the difference between the carrying amount and the tax base of the Franchise System at the 30% Australian company tax rate. This treatment will continue whilst the value of this indefinite life intangible asset is expected to be recovered through use, rather than through a specific plan to sell these assets.

The impact of this change in accounting policy on the previously reported comparative statement of financial position is noted below. The adjustment is initially recorded against goodwill, however as the corresponding goodwill was previously impaired, this adjustment is recognised directly to accumulated losses within these financial statements.

| | 1 July 2015 (as stated) '000s | Adjustment '000s | 1 July 2015 (restated) '000s |
|---|---|---|---|
| **FINANCIAL STATEMENT LINE ITEM AFFECTED** | | | |
| Accumulated losses at the beginning of the financial year | 263,014 | 29,220 | 292,234 |
| Deferred tax liability | (296) | (29,220) | (29,516) |

| | 30 June 2016 (as stated) '000s | Adjustment '000s | 30 June 2016 (restated) '000s |
|---|---|---|---|
| **FINANCIAL STATEMENT LINE ITEM AFFECTED** | | | |
| Accumulated losses at the beginning of the financial year | 262,998 | 29,220 | 292,218 |
| Deferred tax liability | (3,576) | (29,220) | (32,796) |

The change of accounting policy did not have an impact on the comparative reported consolidated statement of profit or loss and other comprehensive income or consolidated statement of cash flows.

## (c) New and amended accounting standards impacting the Group

### (i) New and amended accounting standards for the year ended 30 June 2017

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2016:

- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

### (ii) New and amended accounting standards impacting the group for future financial years

The following new accounting standards are not yet effective, but may have an impact on the Group in financial years commencing from 1 July 2018:

### AASB 9 Financial Instruments

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, partially replacing AASB 139 Financial instruments: Recognition and measurement. This standard is available for early adoption, however will not become mandatory for the Group's financial statements until the year ended 30 June 2019.

The Group is currently in the process of determining the potential impact of adopting the standard including both, a review of its hedging and credit risk policies and related processes and systems across the Group. The financial impacts of adopting the standard are not expected to be significant to the Group.

### AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 Revenue, which covers contracts for goods and services and AASB 111 Construction Contracts, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control in AASB 15 replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach, entities will recognise transitional adjustments in retained earnings on the date of initial application without restating the comparative period. The Group will only need to apply the new rules to existing contracts that are not completed as of the date of initial application. This standard is available for early adoption however will not become mandatory for the Group's financial statements until the year ended 30 June 2019.

The Group is currently in the process of determining the potential impact of adopting the standard, including a review of its revenue streams, policies and key contracts across the Group.

### AASB 16 Leases

The AASB has issued a new standard for the recognition, measurement and classification of leases. This will replace AASB 117 Leases. The new standard eliminates the classification of leases as either operating leases or finance leases for a lessee. Operating leases will be capitalised on the statement of financial position by recognising the present value of the lease, similar to a finance lease under the existing standard. The impact on the statement of comprehensive income is that all operating leases will no longer be operational expenditure, rather it will comprise of depreciation on the right of use and interest on its lease liability.

This standard is available for early adoption, for entities that apply AASB 15 Revenue from Contracts with Customers at or before the date of initial application of AASB 16, however will not become mandatory for the Group's financial statements until the year ended 30 June 2020.

The Group has not yet decided when to adopt AASB 16 as it has not yet determined the potential impact of the standard.

## (d) Use of critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

### (i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units (CGUs) to which the goodwill and intangibles with indefinite useful lives are allocated. The key assumptions used in this estimation of recoverable amount of goodwill and intangibles with indefinite useful lives are outlined in note 13.

### (ii) Override commission revenue

The Group estimates override commission revenue generated by airlines and leisure partners. The override commission revenue accrual process is inherently judgemental and is impacted significantly by factors which are not completely under the control of Helloworld Travel. These factors include:

- A significant portion of override commission contract periods do not correspond to the Group's financial year end. Judgements and estimation techniques are required to determine anticipated future flown revenues over the remaining contract year and associated override commission rates applicable to these forecast levels. Flown revenue is earned when the passenger has flown/departed (for air and cruise) or the passenger has commenced their hotel stay;
- The differing commencement dates of the override commission contracts mean that commissions may have to be estimated for contracts for which the applicable override commission rates have not been finalised and agreed between the parties; and
- Periodic renegotiation of terms and contractual arrangements with the suppliers of travel products may result in additional volume/incentives, rebates or other bonuses being received which relate to past performance and are not specified in existing contracts.

The accounting policy for override commission revenue is set out in note 34.

## 2. Revenue

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Rendering of services | 321,926 | 295,004 |
| Rents and sub-lease rentals | 923 | 643 |
| Finance income | 2,624 | 3,638 |
| Other revenue | 960 | 1,264 |
| **REVENUE** | **326,433** | **300,549** |

## 3. Expenses

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| **PROFIT/(LOSS) BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:** | | |
| Depreciation (note 12) | (7,771) | (8,102) |
| Amortisation (note 13) | (13,305) | (10,357) |
| Defined contribution superannuation expense | (8,784) | (7,482) |
| Defined benefit superannuation expense (note 32) | - | (640) |
| Employee benefits expense excluding superannuation | (131,036) | (125,943) |
| Rental expense under operating leases (note 25) | (11,553) | (11,446) |
| AOT merger costs (note 30) | - | (3,822) |
| Business transformation costs | (621) | (2,904) |
| Redundancy costs | (857) | (1,801) |
| Recovery relating to GST legal dispute | - | 1,775 |
| Franchise loyalty plan expense (note 31) | (681) | - |

## 4. Finance income and expense

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| **RECOGNISED IN PROFIT OR LOSS** | | |
| Finance income recognised in revenue | 2,624 | 3,638 |
| Finance expenses | (3,066) | (3,381) |
| **NET FINANCE INCOME/(EXPENSE) RECOGNISED IN PROFIT OR LOSS** | **(442)** | **257** |

## 5. Operating segments

### (a) Description of segments

During the year, the Group revised its internal management reporting structure for the Chief Executive Officer and the Board (the Chief Operating Decision Makers or CODMs) to better review and assess the performance of the business. The new structure is on a geographical basis and all internal reports reviewed and used by the CODMs in assessing performance and making strategic decisions are now prepared on this basis. As a result, the Group has changed its operating segments from the previous product basis of retail franchise operations, wholesale & inbound and travel management to the following three segments:

- Australia;
- New Zealand; and
- Rest of World.

The segments are based on the geographical location of where the businesses are managed. The Australia and New Zealand segments each have retail franchise operations, air ticketing, wholesale & inbound, and travel management businesses. Australia and New Zealand also contain corporate support units performing shared service functions, which are fully allocated to all segments within segment expenses. The Rest of World segment consists of the wholesale businesses of Insider Journeys, Tourist Transport Fiji (TTF) and Qantas Vacations in North America, in addition to the inbound business in Fiji.

Comparative information has been restated to reflect prior year information on the new segment basis.

### (b) Segment information provided to the CODMs

The CODMs assess the performance of the operating segments based on a measure of EBITDA (earnings before interest expense, tax, depreciation and amortisation). Interest income on client funds is included within segment revenue and EBITDA.

Segment results for the Group are shown below:

| CONSOLIDATED | Australia $'000 | New Zealand $'000 | Rest of World $'000 | Total $'000 |
|---|---|---|---|---|
| **YEAR ENDED 30 JUNE 2017** | | | | |
| Segment revenue | 243,603 | 60,525 | 22,305 | **326,433** |
| Segment expenses | (194,150) | (54,307) | (23,656) | **(272,113)** |
| Equity accounted profits | 859 | - | - | **859** |
| **EBITDA** | **50,312** | **6,218** | **(1,351)** | **55,179** |

| CONSOLIDATED | Australia $'000 | New Zealand $'000 | Rest of World $'000 | Total $'000 |
|---|---|---|---|---|
| **YEAR ENDED 30 JUNE 2016** | | | | |
| Segment revenue | 224,204 | 52,610 | 23,735 | **300,549** |
| Segment expenses | (198,194) | (50,720) | (26,345) | **(275,259)** |
| Equity accounted profits | - | - | - | **-** |
| **EBITDA** | **26,010** | **1,890** | **(2,610)** | **25,290** |

## (c) Other segment information

### (i) EBITDA

A reconciliation of EBITDA to profit before income tax expense is provided as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| EBITDA | 55,179 | 25,290 |
| Depreciation | (7,771) | (8,102) |
| Amortisation | (13,305) | (10,357) |
| Finance costs | (3,066) | (3,381) |
| **PROFIT BEFORE TAX** | **31,037** | **3,450** |

### (ii) Segment assets

The internal management reports provided to the CODMs report total assets on a basis consistent with that of the consolidated financial statements. These reports do not allocate assets based on the operations of each segment or by geographical location.

Total non-current assets, other than deferred tax assets, located in Australia total $269.8 million (2016: $261.6 million). Total non-current assets located in other countries total $44.5 million (2016: $45.8 million). Under the current management reporting framework, total assets are not reviewed to a specific reporting segment or geographic location.

### (iii) Segment liabilities

The internal management reports provided to the CODMs report total liabilities on a basis consistent with that of the consolidated financial statements. Under the current management reporting framework, total liabilities are not reviewed to a specific reporting segment or geographic location.

## 6. Income tax expense

The major components of income tax expense recognised in the statement of profit or loss and other comprehensive income are:

### (a) Income tax expense

| | CONSOLIDATED 2017 $'000 | CONSOLIDATED 2016 $'000 |
|---|---|---|
| **CURRENT INCOME TAX EXPENSE** | | |
| Current income tax expense | 9,149 | 1,546 |
| Deferred income tax - relating to the origination and reversal of temporary differences | 459 | 504 |
| Adjustment in respect of current tax expense of previous year | (162) | (276) |
| **INCOME TAX EXPENSE REPORTED IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | **9,446** | **1,774** |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax assets (note 14) | (719) | (795) |
| Increase in deferred tax liabilities (note 18) | 1,178 | 1,299 |
| **DEFERRED INCOME TAX - RELATING TO THE ORIGINATION AND REVERSAL OF TEMPORARY DIFFERENCES** | **459** | **504** |

### (b) Reconciliation of income tax expense and tax at the statutory rate

| | CONSOLIDATED 2017 $'000 | CONSOLIDATED 2016 $'000 |
|---|---|---|
| **PROFIT BEFORE INCOME TAX EXPENSE** | **31,037** | **3,450** |
| Tax at the statutory tax rate of 30% | 9,311 | 1,035 |
| Add/(deduct): | | |
| Current year tax losses not recognised | 29 | 113 |
| Amortisation not deductible | 13 | 64 |
| Gain on disposal of non-current assets | (189) | (108) |
| Merger costs not deductible | - | 1,142 |
| Withholding tax not claimable | 186 | - |
| Share based payments | 364 | (109) |
| Differences in overseas tax rates | (231) | (163) |
| Over provision in prior year | (162) | (186) |
| Other | 125 | (14) |
| **INCOME TAX EXPENSE REPORTED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | **9,446** | **1,774** |

### (c) Tax expense/(income) relating to items of other comprehensive income

| | CONSOLIDATED 2017 $'000 | CONSOLIDATED 2016 $'000 |
|---|---|---|
| Cash flow hedges | 108 | (220) |
| Defined benefit plan - actuarial losses | - | (722) |
| **TOTAL TAX EXPENSE/(INCOME) RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME** | **108** | **(942)** |

## (d) Tax losses not recognised

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | 2,249 | 1,733 |
| Potential tax benefit at statutory tax rates | **675** | **520** |

All unused tax losses were incurred by non-Australian entities that are not part of the tax consolidated group.

## (e) Unrecognised temporary differences

The Group had undistributed earnings for controlled entities which if paid out as dividends would be non-assessable exempt income and not subject to tax in the hands of the recipient. Therefore no deferred tax liability has been recorded in relation to the undistributed earnings.

# 7. Dividends paid and proposed

## (a) Dividends

The amount of dividends paid during the year are:

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Final dividend for year ended 30 June 2016 of 2.0 cents per share, paid 16 September 2016 | 2,197 | - |
| Interim dividend for year ended 30 June 2017 of 6.0 cents, paid on 20 March 2017 | 7,212 | - |
| **DIVIDENDS PAID** | **9,409** | **-** |

All dividends paid or declared during the current year are fully franked.

On 23 August 2017, the Group declared an 8.0 cents per share fully franked final dividend. The dividend is to be paid on 20 September 2017, with a record date of 4 September 2017. The dividend will be paid out of the 2017 financial year profits, but is not recognised as a liability as at 30 June 2017.

## (b) Franking credits

The franked portions of any future dividends paid after 30 June 2017 will be paid out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2018. Franking credits are all based on a tax rate of 30%. The amount of franking credits available for the subsequent financial years are:

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Franking credits available at the reporting date | 27,492 | 27,614 |
| Franking credits that will arise from income tax payable as at year end | 6,163 | 747 |
| Franking debits that will arise from the payment of the final dividend | (4,121) | (941) |
| **TOTAL AMOUNT OF FRANKING CREDITS AVAILABLE FOR THE SUBSEQUENT FINANCIAL YEARS** | **29,534** | **27,420** |

The tax rate at which dividends will be franked is 30%. The level of franking is expected to be 100%.

The ability to utilise the franking credits is dependent upon the Company meeting solvency based tests for payment of dividends set out in the Corporations Amendments (Corporate Reporting Reform) Act 2010. In accordance with tax consolidation legislation, the Company, as the head entity in the tax consolidated group, has assumed the benefit of franking credits of all entities.

# 8. Earnings per share

Basic earnings per share (EPS) was calculated for the year ended 30 June 2017 based on the profit attributable to ordinary shareholders of $21.5 million (2016: $1.7 million) and a denominator of weighted average number of ordinary shares outstanding of 114,647,185 (2016: 88,867,177).

## (a) Basic earnings per share

| | CONSOLIDATED | |
|---|---|---|
| | 2017 cents | 2016 cents |
| Total basic earnings per share from continuing operations attributable to ordinary equity holders of the Company | 18.8 | 1.9 |

## (b) Diluted earnings per share

| | | |
|---|---|---|
| Total diluted earnings per share from continuing operations attributable to ordinary equity holders of the Company | 18.4 | 1.9 |

## (c) Reconciliation of earnings used in calculating earnings per share

| | CONSOLIDATED | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Net profit for the year attributable to owners of Helloworld Travel | 21,510 | 1,699 |
| Profit/(loss) attributable to non-controlling interest | 81 | (23) |
| **PROFIT AFTER INCOME TAX** | **21,591** | **1,676** |

## (d) Weighted average number of shares used as the denominator

| | 2017 Number of shares | 2016 Number of shares |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **114,647,185** | **88,867,177** |
| - Adjustment for shares issued under the long term incentive plan | 1,985,891 | - |
| - Adjustment for shares issued under franchise loyalty plan | 350,334 | - |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | **116,983,410** | **88,867,177** |

For the year ended 30 June 2017, the Company had no legacy performance rights remaining under the previous performance rights plan (PRP) that could potentially dilute basic EPS in the future. For the year ended 30 June 2016, the Company had a weighted average number of 413,118 performance rights which could have potentially diluted basic EPS in the future. Legacy performance rights were not included in the calculation of EPS because they were considered antidilutive, refer note 31 for details on the legacy PRP.

Shares issued under the new long term incentive plan and franchise loyalty plan are excluded from basic EPS due to the terms and conditions attached to these shares. These shares are included in dilutive EPS. Refer note 31 for further details on the nature of the shares issued under these plans.

## (e) Information concerning the classification of securities

As at 30 June 2017, the Company had 120,204,418 (2016: 109,838,418) ordinary shares on issue. Refer note 19 for further details on the movement of ordinary shares during the current year.

# 9. Cash and cash equivalents

| | CONSOLIDATED 2017 $'000 | CONSOLIDATED 2016 $'000 |
|---|---|---|
| Cash at bank and on hand | 34,732 | 26,201 |
| Client cash | 163,338 | 176,420 |
| **CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS** | **198,070** | **202,621** |

Client cash includes all monies entrusted to the Group by intending travellers or customers prior to travelling. A corresponding liability is recorded on the consolidated statement of financial position while the cash is held on the clients' behalf prior to being paid to principals.

# 10. Trade and other receivables

| | CONSOLIDATED 2017 $'000 | CONSOLIDATED 2016 $'000 |
|---|---|---|
| Trade receivables | 66,512 | 67,308 |
| Provision for impairment of receivables | (510) | (701) |
| **TRADE RECEIVABLES NET OF IMPAIRMENT** | **66,002** | **66,607** |
| Accrued income | 32,700 | 36,077 |
| Prepayments | 11,306 | 14,967 |
| Other receivables | 15,584 | 16,582 |
| | **59,590** | **67,626** |
| **TRADE AND OTHER RECEIVABLES** | **125,592** | **134,233** |

Trade receivables are non-interest bearing and are generally on 30 day terms from invoice.

### Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value generally approximates their fair value. The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it the Group's policy to transfer receivables to special purpose entities.

### Credit, foreign exchange and interest rate risk

Details regarding credit, foreign exchange and interest rate risk exposure are disclosed in note 24.

# 11. Investments accounted for using the equity method

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Investment in associates and joint ventures | 16,711 | 1,617 |
| Provision for diminution in value | (54) | (54) |
| **CARRYING AMOUNT AT END OF FINANCIAL YEAR** | **16,657** | **1,563** |

## (a) Interests in associates and joint ventures

Information relating to associates and joint ventures is set out below:

| NAME | COUNTRY OF INCORPORATION | OWNERSHIP INTEREST 2017 % | 2016 % |
|---|---|---|---|
| Mobile Travel Holdings Pty Limited and its subsidiaries (MTA) | Australia | 50.00% | - |
| Tour Managers (Fiji) Limited | Fiji | 33.00% | 33.00% |
| Harvey World Travel Strategy Group Ltd | New Zealand | - | 50.00% |
| V & A Travel P/L | Australia | 50.00% | 50.00% |
| Down Under Answers, LLC | United States of America | 33.00% | 33.00% |

All associates and joint ventures have a 30 June balance date except Down Under Answers LLC, which has a reporting date of 31 December.

## (b) Movement in carrying amounts

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Carrying amount at the beginning of the financial year | 1,563 | 460 |
| Additions due to acquisition of MTA | 14,217 | - |
| Increase due to associates acquired from business combinations | - | 1,727 |
| Share of profits after income tax | 859 | - |
| Decrease due to change in ownership interest | - | (640) |
| Other movements | 18 | 16 |
| **CARRYING AMOUNT AT END OF THE FINANCIAL YEAR** | **16,657** | **1,563** |

## (c) Joint venture with MTA

On 1 December 2016, the Group acquired 50% of MTA for cash consideration of $13.9 million. Acquisition related costs of $0.3 million were incurred and are included in the carrying value of the investment.

MTA provides home based travel consulting services by franchise mobile travel consultants throughout Australia. The investment provides Helloworld Travel with a significant footprint in a sector that is experiencing accelerated growth both in Australia and globally. The Group expects the additional scale and operating leverage to bring increased economies of scale.

## (d) Harvey World Travel Strategy Group Ltd

Harvey World Travel Strategy Group Ltd, based in New Zealand, was deregistered on 14 October 2016.

## (e) Summarised financial information

The tables below provide summarised financial information of the equity accounted investment in MTA. The information disclosed reflects the amounts presented in the financial statements of MTA and not Helloworld Travel's share of those amounts.

### (i) Summarised statement of financial position

| | 2017 $'000 |
|---|---|
| Current assets | 13,370 |
| Non-current assets | 820 |
| **TOTAL ASSETS** | **14,190** |
| Current liabilities | 11,798 |
| Total non-current liabilities | 33 |
| **TOTAL LIABILITIES** | **11,831** |
| **NET ASSETS** | **2,359** |

### (ii) Summarised statement of profit or loss and other comprehensive income, since acquisition on 1 December 2016

| | 2017 $'000 |
|---|---|
| Revenue | 5,923 |
| Operating expenses | (3,290) |
| **EBITDA** | **2,633** |
| Depreciation and amortisation | (179) |
| **PROFIT BEFORE INCOME TAX** | **2,454** |
| Income tax expense | (736) |
| **PROFIT AFTER INCOME TAX** | **1,718** |
| Other comprehensive income | - |
| **TOTAL COMPREHENSIVE INCOME** | **1,718** |

## (f) Reconciliation of the Group's investment in MTA

| | 2017 $'000 |
|---|---|
| Opening carrying amount | - |
| Acquisition in MTA | 14,217 |
| Share of profit after income tax | 859 |
| **CLOSING CARRYING AMOUNT** | **15,076** |

## (g) Contingent liabilities

There are no contingent liabilities in associates or joint ventures for which the Group has a legal obligation to settle.

# 12. Property, plant and equipment

| CONSOLIDATED | Land and buildings $'000 | Office Equipment $'000 | Leasehold Improvements $'000 | Total $'000 |
|---|---|---|---|---|
| **BALANCE AT 1 JULY 2015** | **-** | **11,412** | **5,504** | **16,916** |
| Additions | - | 3,067 | 2,531 | **5,598** |
| Additions through business combinations | 607 | 4,120 | 464 | **5,191** |
| Disposals | - | (135) | (198) | **(333)** |
| Foreign currency differences | - | 184 | 106 | **290** |
| Depreciation charge (note 3) | (4) | (5,550) | (2,548) | **(8,102)** |
| **BALANCE AT 30 JUNE 2016** | **603** | **13,098** | **5,859** | **19,560** |
| | | | | |
| **AT 30 JUNE 2016** | | | | |
| Cost | 607 | 21,486 | 8,355 | **30,448** |
| Accumulated depreciation | (4) | (8,388) | (2,496) | **(10,888)** |
| **NET BOOK AMOUNT** | **603** | **13,098** | **5,859** | **19,560** |
| | | | | |
| **BALANCE AT 1 JULY 2016** | **603** | **13,098** | **5,859** | **19,560** |
| Additions | - | 1,601 | 1,502 | **3,103** |
| Additions through business combinations | - | 9 | - | **9** |
| Disposals | - | (198) | (847) | **(1,045)** |
| Foreign currency differences | - | (12) | (17) | **(29)** |
| Transfer in/(out) | - | (57) | 57 | **-** |
| Depreciation charge (note 3) | (10) | (6,620) | (1,141) | **(7,771)** |
| **BALANCE AT 30 JUNE 2017** | **593** | **7,821** | **5,413** | **13,827** |
| | | | | |
| **AT 30 JUNE 2017** | | | | |
| Cost | 607 | 16,488 | 7,899 | **24,995** |
| Accumulated depreciation | (14) | (8,667) | (2,486) | **(11,168)** |
| **NET BOOK AMOUNT** | **593** | **7,821** | **5,413** | **13,827** |

## 13. Intangible assets

| CONSOLIDATED | Goodwill $'000 | Franchise systems $'000 | Agent network $'000 | Supplier agreements $'000 | Brand Names and Trademarks $'000 | Software website and other [1] $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **BALANCE AT 1 JULY 2015** | **32,531** | **97,400** | **-** | **-** | **3,492** | **27,981** | **161,404** |
| Additions | - | - | - | - | 14 | 10,675 | **10,689** |
| Additions through business combinations | 106,607 | - | 8,310 | 2,634 | - | 4,273 | **121,824** |
| Foreign currency differences | 2,110 | - | - | - | - | 186 | **2,296** |
| Amortisation charge (note 3) | - | - | - | (160) | (623) | (9,574) | **(10,357)** |
| **BALANCE AT 30 JUNE 2016** | **141,248** | **97,400** | **8,310** | **2,474** | **2,883** | **33,541** | **285,856** |
| | | | | | | | |
| **AT 30 JUNE 2016** | | | | | | | |
| Cost | 464,756 | 97,400 | 8,310 | 2,634 | 9,103 | 55,729 | **637,932** |
| Accumulated amortisation and impairment | (323,508) | - | - | (160) | (6,220) | (22,188) | **(352,076)** |
| **NET BOOK AMOUNT** | **141,248** | **97,400** | **8,310** | **2,474** | **2,883** | **33,541** | **285,856** |
| | | | | | | | |
| **BALANCE AT 1 JULY 2016** | **141,248** | **97,400** | **8,310** | **2,474** | **2,883** | **33,541** | **285,856** |
| Additions | - | - | - | - | - | 7,760 | **7,760** |
| Additions through business combinations | 3,609 | - | - | - | - | - | **3,609** |
| Disposals | - | - | - | - | - | (384) | **(384)** |
| Foreign currency differences | (217) | - | - | - | - | (17) | **(234)** |
| Transfer in/(out) | 224 | - | - | - | - | (224) | **-** |
| Amortisation charge (note 3) | - | - | - | (385) | (1,027) | (11,893) | **(13,305)** |
| **BALANCE AT 30 JUNE 2017** | **144,864** | **97,400** | **8,310** | **2,089** | **1,856** | **28,783** | **283,302** |
| | | | | | | | |
| **BALANCE AT 30 JUNE 2017** | | | | | | | |
| Cost | 468,267 | 97,400 | 8,310 | 2,634 | 9,103 | 58,332 | **644,046** |
| Accumulated amortisation and impairment | (323,403) | - | - | (545) | (7,247) | (29,549) | **(360,744)** |
| **NET BOOK AMOUNT** | **144,864** | **97,400** | **8,310** | **2,089** | **1,856** | **28,783** | **283,302** |

1 Software, website and other includes capitalised software and development costs, as well as other costs associated with the development and/or acquisition of rights to intellectual property.

## Impairment tests for goodwill and other indefinite life intangibles

## (a) Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is allocated to the group's cash generating units (CGUs) which are assessed as benefitting from the business combination benefits and synergies.

During the year, the Group changed its reporting structure to reflect management of the Group on a geographical basis. As a result, the previous CGUs of retail franchise operations, wholesale & inbound and travel management have been replaced by Australia retail franchise operations, Australia wholesale & inbound, Australia travel management, New Zealand and Rest of the World.

A goodwill impairment assessment was performed on the previous CGUs, with no impairment identified. In addition, the sensitivity analysis determined there were no reasonable changes in assumptions which could have caused the previous CGU carrying values to exceed their recoverable amount.

The goodwill has been reallocated to the new CGU's based on the relative fair value contribution of each CGU. Comparatives have been restated and the goodwill allocation to the new CGUs is presented below:

| | CONSOLIDATED | |
|---|---|---|
| | 2017<br>$'000 | 2016<br>$'000 |
| Australia retail franchise operations | 21,916 | 22,792 |
| Australia wholesale & inbound | 111,702 | 107,309 |
| New Zealand | 11,246 | 11,147 |
| **GOODWILL NET OF IMPARMENT** | **144,864** | **141,248** |

There is no goodwill allocated to the Australia travel management and the Rest of the World CGUs.

### Impairment review

The recoverable amount of the Group's CGUs are determined based on the value in use calculations.

The impairment testing undertaken for the year ended 30 June 2017 supports the carrying value of goodwill for all of the CGU's under review.

### Key assumptions used for value in use calculations

### (i) Cash flows

Cash flows have been based on the financial year 2018 (FY18) board approved budget. Cash flow forecasts for years 2 to 5 (the forecast period) are based on the FY18 budget adjusted for internal projections of revenue and costs. Cash flows comprise earnings before interest expense, depreciation, amortisation and tax (EBITDA) from each CGU, net of expected working capital movements and sustainable levels of maintenance capital expenditure.

### (ii) EBITDA growth

Operating cash flows are expected to grow at 5.0% (2016: 5.0%) for all CGU's over the forecast period.

### (iii) Long term growth

The terminal value calculations have an equivalent revenue and operating expense growth assumption of 2.5% (2016: 2.0%), in line with inflation expectations.

Revenue and operating expense growth projections have been benchmarked against travel industry forecasts and general economic projections where available.

### (iv) Discount rates

Discount rates applied in the testing of recoverable amounts reflect the pre-tax weighted average cost of capital derived using the Capital Asset Pricing Model (CAPM). Discount rates applied to the respective CGUs with goodwill allocated are as follows:

| | |
|---|---|
| Australia retail franchise operations | 13.8% |
| Australia wholesale & inbound | 14.0% |
| New Zealand | 13.7% |

The 2016 pre-tax discount rates reported in the prior year were 13.6% for retail franchise operations and 13.7% for wholesale & inbound.

### Impact of possible change in key assumptions

The sensitivity analysis determined there are no reasonable changes in assumptions that would cause any of the CGU carrying values to exceed their recoverable amount as at 30 June 2017.

## (b) Franchise System

The Franchise System asset was acquired as part of the Stella Travel Services Holdings Pty Limited and Jetset Travelworld business combination in the year ending 30 June 2011. The Franchise System is the integrated system of methods, procedures, techniques and other systems which facilitate the day-to-day running of the retail franchise business.

The Franchise System includes access to products/inventory, brands, marketing, advertising, promotional techniques, training and operational manuals of the network. Due to the inter-dependencies between these components, the Group considered these assets to be complementary and were recognised as a single identifiable asset. The Group considers that the Franchise System has an indefinite useful life due to the ongoing effectiveness of the system which support the franchise network.

The Franchise System is an indefinite life intangible asset entirely allocated to the Australian retail franchise operations CGU. There is no change in the cash flows methodology utilised to support the carrying value of this asset from prior year.

The recoverable amount has been assessed at 30 June 2017 using an excess earnings calculation. The key assumptions used in the calculation are outlined below:

- Cash flows are based on the FY18 board approved budget, with EBITDA growth rates for years 2 to 5 of 5.0% (2016: 5.0%);
- Terminal value calculations have an equivalent revenue and operating expense growth assumption of 2.5% (2016: 2.0%), in line with inflation expectations;
- Pre-tax discount rate was 14.2% (2016: 14.2%); and
- Capital charges that range from -0.2% to 1.0% (2016: -0.4% to 1.1%).

The impairment testing undertaken for the year ended 30 June 2017 supports the carrying value of the Franchise System.

The sensitivity analysis determined there are no reasonable changes in assumptions that would cause the carrying value of the Franchise System to exceed its recoverable amount as at 30 June 2017.

## (c) Agent Network

The Agent Network asset was acquired as part of the merger with AOT Group Limited in February 2016. The Agent Network represents the agreements with travel agents for the provision of domestic travel product such as packaged tours. The Group considers that the Agent Network has an indefinite useful life as there are no indications that these relationships will not continue to remain strong in the long term and is entirely allocated to the Australia wholesale & inbound CGU.

The recoverable amount has been assessed at 30 June 2017 using an excess earnings calculation. The key assumptions used in the calculation are outlined below:

- Cash flows are based on the FY18 board approved budget, with growth rates for years 2 to 5 of 5.0%;
- Terminal value calculations have an equivalent revenue and operating expense growth assumption of 2.5%, in line with inflation expectations;
- Pre-tax discount rate was 14.2%; and
- Capital charges that range from -0.2% to 1.0%.

The impairment testing undertaken for the year ended 30 June 2017 supports the carrying value of the Agent Network.

The sensitivity analysis determined there are no reasonable changes in assumptions that would cause the carrying value of the Agent Network to exceed its recoverable amount as at 30 June 2017.

# 14. Deferred tax assets

## (a) Deferred tax assets

| | CONSOLIDATED 2017 $'000 | CONSOLIDATED 2016 $'000 |
|---|---|---|
| Tax losses | 2,244 | 2,424 |
| Property, plant and equipment | 1,430 | 616 |
| Employee benefits | 4,364 | 4,228 |
| Payables and accruals | 11,603 | 12,359 |
| Other | 1,506 | 1,200 |
| **GROSS DEFERRED TAX ASSETS** | **21,147** | **20,827** |
| Set-off of deferred tax assets and liabilities pursuant to set-off provisions | (20,259) | (19,624) |
| **NET DEFERRED TAX ASSETS** | **888** | **1,203** |
| Amount expected to be recovered within 12 months | 15,578 | 14,333 |
| Amount expected to be recovered after more than 12 months | 5,569 | 6,494 |
| | **21,147** | **20,827** |

## (b) Movement in temporary differences during the year

| CONSOLIDATED | Employee benefits $'000 | Payables and accruals $'000 | Property plant and equipment $'000 | Tax losses $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **AT 1 JULY 2015** | **3,409** | **11,541** | **159** | **2,174** | **1,130** | **18,413** |
| (Charged)/credited | | | | | | |
| - to profit or loss | (89) | 759 | 456 | 250 | (581) | **795** |
| - to other comprehensive income | - | - | - | - | 169 | **169** |
| Acquisition by business combination | 908 | 59 | 1 | - | 482 | **1,450** |
| **AT 30 JUNE 2016** | **4,228** | **12,359** | **616** | **2,424** | **1,200** | **20,827** |
| **AT 1 JULY 2016** | **4,228** | **12,359** | **616** | **2,424** | **1,200** | **20,827** |
| (Charged)/credited | | | | | | |
| - to profit or loss | 136 | (756) | 1,105 | (180) | 414 | **719** |
| - to other comprehensive income | - | - | - | - | (108) | **(108)** |
| Acquisitions via business combination | - | - | (291) | - | - | **(291)** |
| **AT 30 JUNE 2017** | **4,364** | **11,603** | **1,430** | **2,244** | **1,506** | **21,147** |

## 15. Trade and other payables

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Trade payables | 154,100 | 165,587 |
| Accruals | 30,226 | 34,163 |
| Other payables | 17,980 | 21,033 |
| **TRADE AND OTHER PAYABLES** | **202,306** | **220,783** |

Trade creditors are non-interest bearing and are normally settled within 30 day terms from invoice. Non-trade payables and accruals are non-interest bearing.

Details regarding foreign exchange risk exposure are disclosed in note 24.

## 16. Borrowings

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Unsecured financing | 104 | 287 |
| **CURRENT BORROWINGS** | **104** | **287** |
| Secured bank loan | 20,827 | 47,542 |
| Deferred borrowings costs | (574) | (1,190) |
| **NON-CURRENT BORROWINGS** | **20,253** | **46,352** |

### (a) Financing arrangements

The following lines of credit were available at the balance date:

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Secured bank loan - multi currency | 40,000 | 55,642 |
| Secured multi-option revolving credit facilities | 20,000 | 40,000 |
| **TOTAL FACILITIES** | **60,000** | **95,642** |
| Secured bank loan - multi currency | 20,827 | 47,542 |
| Secured multi-option revolving credit facilities | 10,798 | 11,979 |
| **USED AT THE REPORTING DATE** | **31,625** | **59,521** |
| Secured bank loan - multi currency | 19,173 | 8,100 |
| Secured multi-option revolving credit facilities | 9,202 | 28,021 |
| **UNUSED AT THE REPORTING DATE** | **28,375** | **36,121** |

In May 2017, the Group renegotiated its financing arrangement with the Westpac Banking Corporation, replacing its old facility with a new $60.0 million debt facility. The new facility expires in May 2022.

## (b) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2017<br>$'000 | 2016<br>$'000 |
| Secured bank loan | 20,827 | 47,542 |

## (c) Set-off of assets and liabilities

There are currently no contractual arrangements establishing a legal right to set-off assets and liabilities with any financial institutions.

## (d) Fair values and risk exposures

Information about the carrying amounts and fair values of interest bearing liabilities, including its exposure to interest rate and foreign currency changes, is provided in note 24.

## 17. Provisions

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Employee benefits - annual leave | 5,853 | 6,132 |
| Employee benefits - long service leave | 4,942 | 4,435 |
| Lease make good | 996 | 944 |
| Straight line rent | 1,131 | 942 |
| Onerous lease contracts | 903 | 492 |
| Restructuring | 790 | 662 |
| Other | 288 | 223 |
| **CURRENT PROVISIONS** | **14,903** | **13,830** |
| Employee benefits - long service leave | 2,871 | 2,893 |
| Onerous lease contracts | 378 | 340 |
| **NON-CURRENT PROVISIONS** | **3,249** | **3,233** |

### (a) Movement in provisions

Movements in each class of provision (current and non-current) during the financial year, other than employee benefits, are set out below:

| CONSOLIDATED | Lease make good $'000 | Restructuring $'000 | Onerous lease contracts $'000 | Straight line rent $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **BALANCE AT 1 JULY 2015** | **1,353** | **925** | **446** | **912** | **184** | **3,820** |
| Provision charged/(released) to income statement | (91) | 276 | 481 | 209 | 28 | **903** |
| Payments made/transfers from provision | (391) | (539) | (95) | (239) | - | **(1,264)** |
| Additions through business combinations | 76 | - | - | 58 | - | **134** |
| Other | (3) | - | - | 2 | 11 | **10** |
| **BALANCE AT 30 JUNE 2016** | **944** | **662** | **832** | **942** | **223** | **3,603** |
| Current | 944 | 662 | 492 | 942 | 223 | **3,263** |
| Non-current | - | - | 340 | - | - | **340** |
| **BALANCE AT 30 JUNE 2016** | **944** | **662** | **832** | **942** | **223** | **3,603** |
| **BALANCE AT 1 JULY 2016** | **944** | **662** | **832** | **942** | **223** | **3,603** |
| Provisions charged to fixed assets | 592 | - | - | - | - | **592** |
| Provision charged/(released) to income statement | (100) | 444 | 449 | 312 | 128 | **1,233** |
| Payments made/transfers from provision | (440) | (316) | - | (123) | (63) | **(942)** |
| **BALANCE AT 30 JUNE 2017** | **996** | **790** | **1,281** | **1,131** | **288** | **4,486** |
| Current | 996 | 790 | 903 | 1,131 | 288 | **4,108** |
| Non-current | - | - | 378 | - | - | **378** |
| **BALANCE AT 30 JUNE 2017** | **996** | **790** | **1,281** | **1,131** | **288** | **4,486** |

## (b) Nature and timing of provisions

### Lease make good

A provision is recognised in respect of existing lease contracts for the estimated present value of expenditure required to complete dismantling and site restoration obligations under those contracts at balance date. Future dismantling and restoration costs are reviewed annually. Any changes are reflected in the present value of the lease make good provision at the end of the reporting period.

The future lease make good costs capitalised and recognised as a provision are amortised. The unwinding of the effect of discounting of the provision is recognised as a finance expense.

### Restructuring

Restructuring provisions are recognised as an expense when the Group has made a commitment to restructure a part of the business. All payments are expected to be settled within the next accounting period.

### Onerous lease contracts

A provision for onerous lease contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the lower of, the present value of the expected cost of terminating the contract and the expected net cost of continuing the contract.

The provision represents the present value of the estimated costs, net of any sub-lease revenue that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

### Straight line rent

A provision for straight lining rent is recognised when the operating rental expense exceeds the amount paid. The rental payments are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

## (c) Amounts not expected to be settled within the next 12 months

The Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

# 18. Deferred tax liabilities

## (a) Deferred tax liabilities

| | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Accrued income | 18,352 | 18,171 |
| Indefinite life intangibles | 31,713 | 29,220 |
| Other | 5,385 | 5,028 |
| **GROSS DEFERRED TAX LIABILITIES** | **55,450** | **52,419** |
| Set-off of deferred tax assets and liabilities pursuant to set-off provisions | (20,259) | (19,623) |
| **NET DEFERRED TAX LIABILITIES** | **35,191** | **32,796** |
| Deferred tax liabilities expected to be settled within 12 months | 10,189 | 11,365 |
| Deferred tax liabilities expected to be settled after more than 12 months | 45,261 | 41,054 |
| | **55,450** | **52,419** |

## (b) Movement in temporary differences during the year

| CONSOLIDATED | Accrued income $'000 | Property plant and equipment $'000 | Defined benefit asset $'000 | Indefinite life intangibles $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **AT 1 JULY 2015** | **10,123** | **-** | **918** | **29,220** | **2,425** | **42,686** |
| (Charged)/credited | | | | | | |
| - to profit or loss | 218 | 691 | (196) | - | 586 | **1,299** |
| - to other comprehensive income | - | - | (722) | - | (76) | **(798)** |
| Acquisition by business combination | 7,830 | 612 | - | - | 790 | **9,232** |
| **AT 30 JUNE 2016** | **18,171** | **1,303** | **-** | **29,220** | **3,725** | **52,419** |
| **AT 1 JULY 2016** | **18,171** | **1,303** | **-** | **29,220** | **3,725** | **52,419** |
| (Charged)/credited | | | | | | |
| - to profit or loss | 821 | 246 | - | - | 111 | **1,178** |
| Acquisition by business combination | (640) | - | - | 2,493 | - | **1,853** |
| **AT 30 JUNE 2017** | **18,352** | **1,549** | **-** | **31,713** | **3,836** | **55,450** |

# 19. Issued capital

## (a) Shares on issue

| | CONSOLIDATED 30 Jun 2017 Shares | 30 Jun 2016 Shares | 30 Jun 2017 $'000 | 30 Jun 2016 $'000 |
|---|---|---|---|---|
| **ISSUED CAPITAL** | **120,204,418** | **109,838,418** | **395,081** | **366,235** |

Holders of ordinary shares in Helloworld Travel are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Helloworld Travel shareholders' meetings. In the event of the winding up of Helloworld Travel, ordinary shareholders rank after creditors and are fully entitled to any proceeds on liquidation. Ordinary shares have no par value and Helloworld Travel does not have a limited amount of authorised capital.

## (b) Movements in shares on issue

| CONSOLIDATED | Note | Date | Number of Shares | $'000 |
|---|---|---|---|---|
| **BALANCE** | | **1 July 2015** | **440,330,198** | **278,755** |
| One for six shares consolidation (i) | | 29 January 2016 | (366,941,781) | - |
| Shares offered as consideration for AOT Group | 30 | 1 February 2016 | 36,450,001 | 87,480 |
| **BALANCE** | | **30 June 2016** | **109,838,418** | **366,235** |
| Long term incentive plan | 31 | 23 September 2016 | 2,450,000 | - |
| Long term incentive plan | 31 | 14 October 2016 | 150,000 | - |
| Share issue (ii) | | 26 October 2016 | 7,000,000 | 29,750 |
| Franchise loyalty plan | 31 | 20 December 2016 | 666,000 | - |
| Shares offered as consideration for Cruise businesses | 30 | 28 February 2017 | 100,000 | 406 |
| Capital raising costs (iii) | | | - | (1,310) |
| **BALANCE** | | **30 June 2017** | **120,204,418** | **395,081** |
| **CLOSING BALANCE AT 30 JUNE 2017 IS REPRESENTED BY:** | | | | |
| Issued capital – fully paid | | | 116,938,418 | 395,264 |
| Issued capital – issued, but not vested (iv) | | | 3,266,000 | (183) |
| **ISSUED CAPITAL – TOTAL** | | | **120,204,418** | **395,081** |

### (i) Share consolidation

Helloworld Travel underwent a 1 for 6 share consolidation on 29 January 2016 whereby the pre-existing 440,330,198 shares were reduced by 366,941,781 to 73,388,417 shares, prior to the merger with the AOT Group on 1 February 2016.

### (ii) Share issue

On 26 October 2016, Helloworld Travel issued 7,000,000 fully paid ordinary shares at a price of $4.25 per share to institutional investors, which amounted to gross proceeds of $29.8 million. The purpose of the capital raising was to fund the 50% purchase of MTA and repay long term debt.

### (iii) Capital raising costs

Helloworld Travel incurred $1.1 millon of capital raising costs for the 7,000,000 share issue undertaken to institutional investors on 26 October. In addition, Helloworld Travel incurred capital raising costs in relation to the issued, but not yet vested shares under the long term incentive plan and franchise loyalty plan amounting to $0.2 million.

### (iv) Issued capital – issued, but not vested

Issued, but not vested capital relates to shares issued under the long term incentive plan and franchise loyalty plan issued in the current year.

## 20. Reserves

| | CONSOLIDATED 2017 $'000 | CONSOLIDATED 2016 $'000 |
|---|---|---|
| Predecessor accounting reserve | - | 156,400 |
| Foreign currency translation reserve | 3,802 | 4,814 |
| Hedging reserve | 750 | 451 |
| Share based payments reserve | 2,598 | 1,386 |
| **RESERVES** | **7,150** | **163,051** |

### (a) Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| CONSOLIDATED | Foreign currency translation reserve $'000 | Hedging reserve $'000 | Predecessor accounting reserve $'000 | Share based payments reserve $'000 | Total $'000 |
|---|---|---|---|---|---|
| **BALANCE AT 1 JULY 2015** | **2,485** | **1,057** | **156,400** | **1,694** | **161,636** |
| Revaluation - gross | - | (826) | - | - | **(826)** |
| Revaluation - deferred tax | - | 220 | - | - | **220** |
| Foreign currency translation | 2,329 | - | - | - | **2,329** |
| Share based payment credit | - | - | - | (308) | **(308)** |
| **BALANCE AT 30 JUNE 2016** | **4,814** | **451** | **156,400** | **1,386** | **163,051** |
| Revaluation - gross | - | 407 | - | - | **407** |
| Revaluation - deferred tax | - | (108) | - | - | **(108)** |
| Foreign currency translation | (1,012) | - | - | - | **(1,012)** |
| Share based payment expense | - | - | - | 1,212 | **1,212** |
| Transfer of predecessor accounting reserve to accumulated losses | - | - | (156,400) | - | **(156,400)** |
| **BALANCE AT 30 JUNE 2017** | **3,802** | **750** | **-** | **2,598** | **7,150** |

### (b) Nature of reserves

#### Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve, as described in note 34. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

#### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedging transactions that have not yet occurred, as described in note 34. Amounts are reclassified to the income statement when the associated hedge transaction affects profit and loss.

### Predecessor accounting reserve

Historically, differences between the net assets acquired and the consideration provided in relation to common control transactions are recorded in the predecessor accounting reserve.

During the current year, the Group has reviewed the nature of the historic predecessor accounting reserve and transferred the balance against the accumulated losses reserve.

### Share based payments reserve

The share based payments reserve is used to recognise the grant date fair value of incentive shares, or performance rights issued to eligible employees with performance related conditions. In addition, the reserve records the fair value of franchise loyalty shares issued to eligible franchise network members with related conditions.

## 21. Accumulated losses

| | CONSOLIDATED | |
|---|---|---|
| | 2017<br>$'000 | 2016<br>$'000 |
| **ACCUMULATED LOSSES AT THE BEGINNING OF THE FINANCIAL YEAR** | **(292,218)** | **(263,014)** |
| Adjustment for change in accounting policy (note 1) | - | (29,220) |
| Profit after income tax expense | 21,510 | 1,699 |
| Dividends paid | (9,409) | - |
| Actuarial loss on defined benefit plans, net of tax | - | (1,683) |
| Transfer of predecessor accounting reserve to accumulated losses reserve | 156,400 | - |
| **ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR** | **(123,717)** | **(292,218)** |

## 22. Auditor's remuneration

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers (PwC) Australia, the auditor of the company, its related practices and unrelated firms:

| | CONSOLIDATED | |
|---|---|---|
| | 2017<br>$ | 2016<br>$ |
| **AUDIT SERVICES – PwC AUSTRALIA** | | |
| Audit or review of the financial statements | 954,580 | 1,153,000 |
| **OTHER SERVICES - PwC AUSTRALIA** | | |
| Taxation services | 135,252 | 93,110 |
| Other services | 302,970 | 118,000 |
| **TOTAL OTHER SERVICES – PwC AUSTRALIA** | **438,222** | **211,110** |
| **TOTAL SERVICES - PwC AUSTRALIA** | **1,392,802** | **1,364,110** |
| **NETWORK FIRMS OF PwC AUSTRALIA** | | |
| Audit services | 195,223 | 202,492 |
| Taxation services | 61,520 | 113,544 |
| Other services | 19,568 | 5,301 |
| **TOTAL SERVICES - NETWORK FIRMS OF PwC AUSTRALIA** | **276,311** | **321,337** |
| **NON-PwC AUDIT FIRMS** | | |
| Audit services - unrelated firms | 53,978 | 70,965 |
| Taxation services | 68,813 | 22,879 |
| Other services | 9,797 | 1,517 |
| **TOTAL SERVICES - NON-PwC AUDIT FIRMS** | **132,588** | **95,361** |

## 23. Reconciliation of profit after income tax to net cash from operating activities

| | CONSOLIDATED | |
|---|---|---|
| | 2017<br>$'000 | 2016<br>$'000 |
| **PROFIT AFTER INCOME TAX EXPENSE FOR THE YEAR** | **21,591** | **1,676** |
| Adjustments for: | | |
| Depreciation and amortisation | 21,076 | 18,459 |
| Share based payments | 1,212 | (360) |
| (Gain)/loss on sale of non-current assets | (55) | 145 |
| Impairment losses on trade receivables | 275 | 169 |
| Gain on disposal of investments | (429) | (379) |
| Share of profits of associates accounted for using the equity method | (859) | - |
| Amortisation of borrowing costs | 1,200 | 426 |
| Change in operating assets and liabilities: | | |
| (Increase)/decrease in inventories | 27 | (98) |
| (Increase)/decrease in trade and other financial assets | (9,828) | 2,289 |
| Increase/(decrease) in other provisions | 1,375 | (374) |
| Increase/(decrease) in other non-current liabilities | (1,272) | 1,858 |
| Movements in tax balances | 4,513 | (390) |
| (Increase) in trade and other payables | (17,222) | (33,855) |
| Increase in trade and other receivables | 7,464 | 12,750 |
| **NET CASH FROM OPERATING ACTIVITIES** | **29,068** | **2,316** |

## 24. Financial risk management

The Group's principal financial instruments comprise receivables, payables, cash, short-term deposits, borrowings and derivatives. The Group manages its exposure to key financial risks, including currency risk in accordance with a set of policies approved by the Board. The Group's policy is to not enter into, issue or hold derivative financial instruments for speculative trading purposes.

Financial risk management is carried out by Group Treasury under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 34.

### (a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Management monitors rolling forecasts of the Group's liquidity reserves (comprising the undrawn facilities outlined in note 16) and cash and cash equivalents (outlined in note 9) on the basis of expected cash flows. Financing arrangements are outlined in note 16.

| | | Contractual Cash flows | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| CONSOLIDATED - 2017 | Carrying value $'000 | Less than 6 months $'000 | 6-12 months $'000 | 1-2 years $'000 | 2-3 years $'000 | 3-4 years $'000 | 4-5 years $'000 | More than 5 years $'000 | Total $'000 |
| **NON-DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | | | | | |
| Trade and other payables | 172,080 | 172,080 | - | - | - | - | - | - | **172,080** |
| Interest bearing liabilities - secured [1] | 20,827 | 780 | 768 | 1,560 | 1,571 | 1,593 | 21,646 | - | **27,918** |
| Interest bearing liabilities - unsecured | 104 | 104 | - | - | - | - | - | - | **104** |
| Bank guarantees and letters of credit | - | 3,401 | 3,203 | 1,133 | 1,234 | 156 | 953 | 718 | **10,798** |
| **DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | | | | | |
| Cash flow hedges | 799 | 718 | 81 | - | - | - | - | - | **799** |
| **TOTAL** | **193,810** | **177,083** | **4,052** | **2,693** | **2,805** | **1,749** | **22,599** | **718** | **211,699** |

| | | Contractual Cash flows | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| CONSOLIDATED - 2016 | Carrying value $'000 | Less than 6 months $'000 | 6-12 months $'000 | 1-2 years $'000 | 2-3 years $'000 | 3-4 years $'000 | 4-5 years $'000 | More than 5 years $'000 | Total $'000 |
| **NON-DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | | | | | |
| Trade and other payables | 186,620 | 186,620 | - | - | - | - | - | - | **186,620** |
| Interest bearing liabilities - secured [1] | 47,542 | 1,510 | 1,474 | 2,914 | 49,828 | - | - | - | **55,726** |
| Interest bearing liabilities - unsecured | 287 | 143 | 144 | - | - | - | - | - | **287** |
| Bank guarantees and letters of credit | - | 4,052 | 3,495 | 289 | 1,136 | 156 | 1,210 | 1,641 | **11,979** |
| **DERIVATIVE FINANCIAL INSTRUMENTS** | | | | | | | | | |
| Cash flow hedges | 1,526 | 1,497 | 29 | - | - | - | - | - | **1,526** |
| **TOTAL** | **235,975** | **193,822** | **5,142** | **3,203** | **50,964** | **156** | **1,210** | **1,641** | **256,138** |

1 Excludes deferred borrowing costs

Details on the interest bearing liabilities and facilities, including maturity dates are contained in note 16.

## (b) Market risk

The Group has exposure to market risk in the areas of foreign exchange and interest rates. The following section summarises the Group's approach to managing these risks.

### (i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The source and nature of this risk arises predominantly from the wholesale operations. In order to protect against exchange rate movements, the group has entered into forward exchange contracts to purchase foreign currencies. These contracts are hedging highly probable forecasted purchases for the ensuing financial year and are timed to mature when payments to suppliers are scheduled to be made.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and the hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. Forward foreign exchange contracts are used to hedge a portion of remaining foreign currency exposure within specific parameters. For this to occur the Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

As at 30 June 2017, the Group's net exposure to foreign currency risk is set out in the table below and includes the following:

- foreign cash holdings as at year end;
- receivables denominated in foreign currencies as at year end;
- current trade payables and forward payment obligations in foreign currencies as at year end; and
- foreign currency exchange contracts outstanding as at year end.

| | CONSOLIDATED | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| CURRENCY | AUD equivalent | AUD equivalent |
| USD | (2,175) | (4,472) |
| EUR | (1,397) | (1,436) |
| GBP | (436) | (2,002) |
| FJD | (2,872) | (2,820) |
| NZD | 10,124 | 11,189 |
| Other currencies | (4,668) | (2,395) |
| **NET TOTAL FOREIGN CURRENCY EXPOSURE LIABILITY** | **(1,424)** | **(1,936)** |

The following table summarises the impact of a reasonably possible change in foreign exchange rates on net profit. For the purpose of this disclosure, the sensitivity analysis assumes a 10% increase and decrease in foreign exchange rates. Sensitivity analysis assumes hedge effectiveness as at 30 June 2017. This analysis also assumes that all other variables, including interest rates, remain constant.

| | CONSOLIDATED Impact on net profit before tax | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| 10% increase | 686 | 718 |
| 10% decrease | (838) | (878) |

### (ii) Interest rate risk

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is on its cash assets and its cash borrowings issued at variable rates. Cash includes short-term deposits amounting to $28.0 million (2016: $54.0 million) paying a weighted average fixed rate of 2.3% per annum (2016: 2.5%). Other funds are held in operational and foreign currency bank accounts earning interest at market rates under normal commercial terms. The Group also has exposure to interest rate risk on the drawn down borrowings of $20.8 million (2016: $47.5 million).

All short-term deposits are variable rate instruments and accordingly, a change of 100 basis points per annum in interest rates at the reporting date would have an impact on the profit and the net equity of the Group of $280,000 (2016: $540,000).

All borrowings are variable rate instruments and accordingly, a change in interest rates of 100 basis points per annum at the reporting date would have an impact on the profit and net equity of the Group of $208,000 (2016: $475,000)

## (c) Credit risk

Credit risk is the potential loss from a transaction in the event of a default by the counterparty during the term of the transaction or on settlement of the transaction. Credit exposure is measured as the cost to replace existing transactions should a counterparty default.

The Group conducts transactions with its trade debtor counterparties. The credit risk is the recognised amount, net of any impairment loss. As at 30 June 2017, this amounted to $66.0 million (2016: $66.6 million). The Group has credit risk associated with travel agents, airlines, industry settlement organisations and direct suppliers. The Group minimises credit risk through the application of stringent credit policies and accreditation of travel agents through industry programs.

Helloworld Travel's most significant supplier is Qantas Airways Limited and its subsidiaries, details of these transactions are outlined in note 26.

Where specific credit risk is identified with a counterparty, the Group requires pre-payment for services provided. A reservation for such a counterparty is not confirmed or ticketed prior to receiving payment in full. Due to the short term nature of these receivables, their carrying amount is assumed to be their fair value.

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it the Group's policy to transfer receivables to special purpose entities.

The ageing of trade receivables net of impairment at 30 June was:

| | CONSOLIDATED | |
|---|---|---|
| | 2017<br>$'000 | 2016<br>$'000 |
| Neither past due nor impaired | 48,485 | 47,637 |
| Past due 1 - 30 days | 10,703 | 10,217 |
| Past due 31 - 60 days | 3,455 | 5,579 |
| Past due 61 - 90 days | 2,148 | 2,216 |
| Past due 91 - 120 days | 1,169 | 911 |
| More than 120 days | 42 | 47 |
| **TOTAL TRADE RECEIVABLES NET OF IMPAIRMENT** | **66,002** | **66,607** |

As at 30 June 2017, trade receivables of $17.5 million (2016: $19.0 million) were past due but not impaired. These relate to a number of independent counterparties for whom there is no recent history of default.

There are no significant other receivables, or other classes of receivables, that have been recognised that would otherwise, without negotiation, have been past due or impaired. It is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

The ageing of trade receivables identified as impaired at 30 June was:

| | CONSOLIDATED 2017 $'000 | CONSOLIDATED 2016 $'000 |
|---|---|---|
| Not past due | - | - |
| Past due 1 - 30 days | 6 | 3 |
| Past due 31 - 60 days | 8 | 6 |
| Past due 61 - 90 days | 372 | 92 |
| Past due 91 - 120 days | 49 | 143 |
| More than 120 days | 75 | 457 |
| **TOTAL PROVISION FOR IMPAIRMENT OF RECEIVABLES** | **510** | **701** |

The Group undertakes transactions with a large number of customers and other counterparties in various countries in accordance with Board approved policy. Where a higher than acceptable credit risk is identified with a counterparty, the Group looks to implement measures which minimise the risk of losses and in some cases seeks to renegotiate customer trading terms by requiring the customer to prepay on purchases in advance of confirmation of a travel booking.

Movements in the allowance for impairment losses in respect of trade receivables are as follows:

| | CONSOLIDATED 2017 $'000 | CONSOLIDATED 2016 $'000 |
|---|---|---|
| **BALANCE AT 1 JULY** | **701** | **635** |
| Acquisitions through business combinations | - | 57 |
| Additional provision recognised | 275 | 169 |
| Writeback of provision | (253) | (136) |
| Receivables written off during the year as uncollectable | (113) | (111) |
| Other | (100) | 87 |
| **BALANCE AT 30 JUNE** | **510** | **701** |

An allowance for impairment losses is made when there is objective evidence that a trade receivable is impaired. In the current year an additional $0.3 million (2016: $0.2 million) provision has been recognised by the Group. The amount of the allowance is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

The table below sets out the maximum exposure to credit risk as at 30 June:

| | CONSOLIDATED 2017 $'000 | CONSOLIDATED 2016 $'000 |
|---|---|---|
| Cash and cash equivalents | 198,070 | 202,621 |
| Trade and other receivables | 125,592 | 134,233 |
| **TOTAL CREDIT RISK EXPOSURE** | **323,662** | **336,854** |

## (d) Net fair values

The net fair values of cash, cash equivalents and non-interest bearing financial assets and financial liabilities approximate their carrying values due to their short maturity.

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the Group are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Carrying amount $'000 | Net fair value $'000 | Carrying amount $'000 | Net fair value $'000 |
| Cash and cash equivalents | 198,070 | 198,070 | 202,621 | 202,621 |
| Trade and other receivables | 125,592 | 125,592 | 134,233 | 134,233 |
| **TOTAL ASSETS** | **323,662** | **323,662** | **336,854** | **336,854** |
| Trade payables | 154,100 | 154,100 | 165,587 | 165,587 |
| Other payables | 17,980 | 17,980 | 21,033 | 21,033 |
| Interest bearing liabilities – current | 104 | 104 | 287 | 287 |
| Interest bearing liabilties – non-current | 20,253 | 20,827 | 46,352 | 47,542 |
| **TOTAL LIABILITIES** | **192,437** | **193,011** | **233,259** | **234,449** |

## (e) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

The Group's forward exchange contracts are recognised at their fair value determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

| CONSOLIDATED - 2017 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| Net derivative financial liabilities | - | 799 | - | 799 |
| **TOTAL LIABILITIES** | **-** | **799** | **-** | **799** |

| CONSOLIDATED - 2016 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| Net derivative financial liabilities | - | 1,526 | - | 1,526 |
| **TOTAL LIABILITIES** | **-** | **1,526** | **-** | **1,526** |

## (f) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors both the return on capital and the level of dividends to ordinary shareholders.

The Board continually assess the Group's future cash flow generation with our debt and equity capital structure mix. The Board's considerations include:

- potential repayment of debt obligations;
- future fixed asset investment;
- funding of any future proposed acquisitions via either debt or equity instruments; and
- the appropriate level of future dividends to ordinary shareholders to support investor returns.

There were no changes in the Group's approach to capital management during the current year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

# 25. Commitments and contingencies

| | CONSOLIDATED | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **LEASE COMMITMENTS - AS LESSEE** | | |
| Non-cancellable operating lease rentals are payable as follows: | | |
| Within one year | 11,961 | 12,038 |
| One to five years | 21,462 | 27,382 |
| More than five years | 2,066 | 2,753 |
| **AGGREGATE LEASE EXPENDITURE CONTRACTED FOR AT YEAR END** | **35,489** | **42,173** |
| **LEASE COMMITMENTS - AS LESSOR** | | |
| The future minimum lease receipts under these leases are as follows: | | |
| Within one year | 452 | 740 |
| One to five years | 1,211 | 1,370 |
| **AGGREGATE LEASE INCOME CONTRACTED FOR AT YEAR END** | **1,663** | **2,110** |

## (a) Lease commitments - as lessee

The Group has entered into commercial property leases. These leases have an average life of between 3 and 10 years and generally provide the Group with a right of renewal at which time all terms are renegotiated. There are no restrictions placed upon the lessee by entering into these leases. The Group recognised rent expenses of $11.6 million in the period (2016: $11.4 million).

## (b) Lease commitments - as lessor

The Group recognised lease rental income of $0.9 million (2016: $0.6 million). Rental income is derived from the sub-lease of surplus office space and lease of one investment property.

## (c) Guarantees

Other than the Deed of Cross Guarantee entered into with its subsidiaries as outlined in note 29, the Group has on issue at 30 June 2017 bank guarantees and letters of credit (secured multi-option revolving credit facilities) totalling $10.8 million (2016: $12.0 million).

## (d) Contingencies

There are no significant contingent assets or contingent liabilities.

# 26. Related party transactions

## (a) Subsidiaries

Details relating to subsidiaries are included in note 27.

## (b) Ultimate and direct parent

Helloworld Travel Limited is the legal owner of the Group. Refer to note 28 for parent entity information.

## (c) Entities with significant influence

The following entities are considered to have significant influence over the Group:

- Andrew and Cinzia Burnes director related entities hold 36.6% (2016: 40.0%) of the ordinary shares of Helloworld Travel Limited following the merger with the AOT Group and its controlled entities. Andrew Burnes is the CEO and Managing Director of Helloworld Travel Limited and both are executive board members of the Group.
- Sintack Pty Ltd hold 18.4% (2016: 19.6%) of the ordinary shares of Helloworld Travel Limited and has one executive member, Peter Spathis on the Board.
- QH Tours Limited, a wholly owned subsidiary of Qantas Airways Limited, hold 17.7% (2016: 19.3%) of the ordinary shares of Helloworld Travel Limited and has one executive member, Andrew Finch on the Board.

## (d) Key management personnel (KMP) compensation

| | CONSOLIDATED | |
|---|---|---|
| | 2017 $ | 2016 $ |
| Short term employee benefits | 2,512,900 | 3,399,939 |
| Long term employee benefits | 23,409 | 18,834 |
| Share based payment benefits | 210,446 | (219,178) |
| Post-employment benefits | 119,740 | 121,611 |
| Termination benefits | - | 419,529 |
| **TOTAL KMP COMPENSATION** | **2,866,495** | **3,740,735** |

Detailed remuneration disclosures are provided in the remuneration report, contained within the Directors Report.

## (e) Transactions with related parties

| The following transactions occurred with related parties: | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| **TRADING TRANSACTIONS** | | |
| (i) Revenue derived from: | | |
| Associates of the Group | 794 | - |
| Entities with significant influence over the Group [1] | 47,939 | 50,835 |
| (ii) Expenses incurred as a result of transactions with: | | |
| Associates of the Group | 1,340 | - |
| Entities with significant influence over the Group [1] | 7,301 | 9,829 |
| Other related parties | 1,176 | 471 |
| **YEAR END BALANCES** | | |
| (i) Receivables: | | |
| Associates of the Group | 197 | - |
| Entities with significant influence over the Group | 8,018 | 8,645 |
| (ii) Payables: | | |
| Associates of the Group | 401 | 181 |
| Entities with significant influence over the Group | 2,636 | 3,949 |

1 Helloworld Travel has previously entered into an umbrella agreement with Qantas Airways Limited (and its controlled entities). The agreement was intended to facilitate a transition to arrangements directly between Helloworld Travel and relevant third party suppliers and provide for the continuation of the ordinary course of business activities of the Group. Services provided under the agreement include shared services, national sales agency agreements, IT services, labour recharges, frequent flyer arrangements, intellectual property rights and website agreements.

### Terms and conditions of related party transactions

Sales to and purchases from related parties are made at arm's length at normal market prices and on normal commercial terms.

Related party trade receivables are non-interest bearing and are generally on 30 day terms from invoice. The Group settles related party trade payables according to the payment conditions confirmed by the supplier of services and are non-interest bearing and generally on 30 day terms from invoice.

## (f) Transactions with Director related entities

Andrew Burnes and Cinzia Burnes, directors of Helloworld Travel Limited, jointly hold 36.6% (2016: 40%) of the ordinary shares of Helloworld Travel Limited, following the merger of AOT Group and Helloworld Travel on 1 February 2016. Andrew and Cinzia Burnes are both trustees of Normanby Road Holdings Pty Ltd (ATF 179 Normanby Road Trust), which owns and leases to Helloworld Travel, the head office premises for the AOT Group operations. Details of transactions with Normanby Road Holdings Pty Ltd (ATF 179 Normanby Road Trust) for the year ended June 2017 and for the five months ended June 2016 are included in part (e) above.

Peter Spathis was reappointed as a Director of Helloworld Travel Limited on 18 May 2015. He was previously a director during the period 30 June 2002 to 28 November 2012. Peter Spathis represents Sintack Pty Ltd, which holds 18.4% (2016: 19.6%) of the ordinary shares of Helloworld Travel Limited. Peter Spathis is a corporate executive with Consolidated Travel Pty Limited. Sintack Pty Ltd is controlled by Mr Alysandratos. Mr Alysandratos also holds a controlling interest in Consolidated Travel Pty Limited and is a director of Consolidated Travel Pty Limited and Chesters Nominees Pty Ltd. Helloworld Travel held a sub-lease agreement with Consolidated Travel Pty Limited during 2017 for which $0.02 million of income was received (2016: $0.02 million).

## (g) Transactions with key management personnel (KMP)

During the current year, a new loan funded long term incentive plan (LTIP) was introduced. The details of this scheme are included in note 31. Shares were allocated to key executives and senior leaders reporting to the CEO or senior leaders who are considered critical to the ongoing success of the Group.

Under the new LTIP, a total of 2,600,000 shares were issued and allocated under the plan at the start of the current financial year, at the market value at that time of $3.00 per share. Of the 2,600,000 shares issued, 900,000 were allocated to KMP. A loan is provided to each participant equal to the number of shares issued at $3.00, amounting to $2.7 million for the KMP. The loan is interest free and non-recourse.

The loan is to be repaid to Helloworld Travel after vesting conditions are met on 1 July 2019 and can be repaid up until 1 July 2026. If the shares fail to vest, the shares will be cancelled and the loan extinguished. During the vesting period, the shares receive dividends as per ordinary paid up shares. The dividends earned are offset against any future loan payable under the scheme until the loan is repaid.

Set out below is the summary of the shares granted and loan value with the KMP:

| Name | Role | Shares granted Number | Loan value at grant date $ | Loan value as at 30 June 2017 $ |
|---|---|---|---|---|
| M Burnett | Chief Financial Officer | 500,000 | 1,500,000 | 1,478,182 |
| R Carstensen | Group General Manager - Corporate | 250,000 | 750,000 | 739,071 |
| S McKearney | Group General Manager – New Zealand | 150,000 | 450,000 | 443,443 |
| **TOTAL** | | **900,000** | **2,700,000** | **2,660,696** |

The detailed KMP remuneration disclosures are provided in the in the Remuneration Report, contained within the Directors Report.

## 27. Particulars in relation to controlled entities as at 30 June 2017

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 34. The proportion of ownership interest is equal to the proportion of voting power held.

| NAME | COUNTRY OF INCORPORATION | OWNERSHIP INTEREST 2017 % | OWNERSHIP INTEREST 2016 % |
|---|---|---|---|
| Helloworld Travel Limited [1, 2, 4] | Australia | N/A | N/A |
| AOT Group Limited [2] | Australia | 100.0% | 100.0% |
| Jetset Travelworld Network Pty Limited [2] | Australia | 100.0% | 100.0% |
| Jetset Pty Limited [2] | Australia | 100.0% | 100.0% |
| JTG Corporate Pty Limited [2] | Australia | 100.0% | 100.0% |
| Helloworld Services Pty Limited [2] | Australia | 100.0% | 100.0% |
| Helloworld Group Pty Limited [2] | Australia | 100.0% | 100.0% |
| QBT Pty Limited [2] | Australia | 100.0% | 100.0% |
| Qantas Holidays Limited | Australia | 100.0% | 100.0% |
| Travelworld Pty Limited [2] | Australia | 100.0% | 100.0% |
| Retail Travel Investments Pty Limited [2] | Australia | 100.0% | 100.0% |
| Harvey World Travel Group Pty Limited [2] | Australia | 100.0% | 100.0% |
| Harvey World Travel Franchises Pty Limited | Australia | 100.0% | 100.0% |
| Travelscene Pty Limited [2] | Australia | 100.0% | 100.0% |
| Harvey World Travel International Pty Limited [2] | Australia | 100.0% | 100.0% |
| Travelscene Tickets Pty Limited [3] | Australia | - | 100.0% |
| Transonic Travel Pty Limited [2] | Australia | 100.0% | 100.0% |
| World No. 1 Limited [3] | New Zealand | - | 100.0% |
| Helloworld Travel Services (Australia) Pty Limited [4] | Australia | 100.0% | 100.0% |
| Travel Indochina Limited | United Kingdom | 100.0% | 100.0% |
| Best Flights Pty Limited [2] | Australia | 100.0% | 100.0% |
| World Aviation Systems (Australia) Pty Limited [3] | Australia | - | 100.0% |
| Global Aviation Services Pty Limited [3] | Australia | - | 100.0% |
| Helloworld Travel Services (NZ) Limited [4] | New Zealand | 100.0% | 100.0% |
| Atlantic and Pacific Business Travel Limited | New Zealand | 100.0% | 100.0% |
| GP Holiday Shoppe Limited | New Zealand | 100.0% | 100.0% |
| Gullivers Pacific Limited | New Zealand | 100.0% | 100.0% |
| Harvey World Travel (2008) Ltd | New Zealand | 100.0% | 100.0% |
| Just Tickets Limited | New Zealand | 100.0% | 100.0% |
| United Travel Limited | New Zealand | 100.0% | 100.0% |
| Atlantic & Pacific Business Travel Pty Limited | Australia | 100.0% | 100.0% |
| Helloworld NZ Limited | New Zealand | 100.0% | 100.0% |
| Global Aviation Services (Australasia) Pty Limited [3] | New Zealand | - | 100.0% |
| Biztrav Limited | New Zealand | 76.6% | 76.6% |
| Aus STS Holdco II Pty Limited [2] | Australia | 100.0% | 100.0% |
| Helloworld Travel Services Group Pty Limited [2, 4] | Australia | 100.0% | 100.0% |
| ACN 003 683 967 Pty Limited | Australia | 100.0% | 100.0% |
| Concorde International Travel Inc. | United States of America | 100.0% | 100.0% |
| Helloworld Travel Services USA Inc.[4] | United States of America | 100.0% | 100.0% |
| Harvey Holidays Pty Limited | Australia | 100.0% | 100.0% |
| Travel Indochina Vietnam Co. Ltd | Vietnam | 95.0% | 95.0% |
| Travel Indochina Lao Co Limited | Laos | 70.0% | 70.0% |
| Advanced Applications (UK) Limited [3] | United Kingdom | - | 100.0% |
| Helloworld Franchising Pty Limited [2] | Australia | 100.0% | 100.0% |
| Helloworld Digital Pty Limited [2] | Australia | 100.0% | 100.0% |
| Helloworld IP Pty Limited [2] | Australia | 100.0% | 100.0% |
| Insider Journeys Limited | United Kingdom | 100.0% | 100.0% |

| NAME | COUNTRY OF INCORPORATION | OWNERSHIP INTEREST 2017 % | 2016 % |
|---|---|---|---|
| Helloworld Travel Services Holding Pty Limited [2,4] | Australia | 100.0% | 100.0% |
| Sunlover Holidays Pty Limited | Australia | 100.0% | 100.0% |
| AOT Business Consulting (Shanghai) Limited | China | 100.0% | 100.0% |
| ATS Pacific Pty Limited [2] | Australia | 100.0% | 100.0% |
| AOT Inbound Pty Limited [2] | Australia | 100.0% | 100.0% |
| AOT New Zealand Limited | New Zealand | 100.0% | 100.0% |
| Australian Travel Service (Pacific) Limited | New Zealand | 100.0% | 100.0% |
| Allied Tour Service (Pacific) Limited (Fiji) | Fiji | 100.0% | 100.0% |
| Great Sights (Fiji) Limited | Fiji | 60.0% | 60.0% |
| Tourist Transport (Fiji) Limited | Fiji | 60.0% | 60.0% |
| Coral Sun (Fiji) Limited | Fiji | 60.0% | 60.0% |
| Sunlover Holidays Limited | New Zealand | 100.0% | 100.0% |
| Pacific Leisure Group Limited | New Zealand | 100.0% | 100.0% |
| Helloworld NZ Franchising Limited | New Zealand | 100.0% | 100.0% |
| Pacific Spirit Travel Pty Limited | Australia | 100.0% | 100.0% |
| Pillowpoints Pty Limited | Australia | 100.0% | 100.0% |
| Travelpoint Pty Limited | Australia | 100.0% | 100.0% |
| AOT Retail Pty Limited | Australia | 100.0% | 100.0% |
| Australian Online Travel Pty Limited [2] | Australia | 100.0% | 100.0% |
| HTG Australia Pty Limited [4] | Australia | 100.0% | - |

### 1. Helloworld Travel Limited

Helloworld Travel Limited is the legal owner of the Group. Refer note 28 for parent entity information.

### 2. Deed of cross guarantee

These entities are included in the Deed of Cross Guarantee (refer note 29). Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, these controlled entities are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial statements.

### 3. Controlled entities disposed or deregistered during the current year

On 23 January 2017, Helloworld Travel disposed of its wholly owned controlled entities, World Aviation Systems (Australia) Pty Limited, Global Aviation Services Pty Limited and Global Aviation Services (Australasia) Pty Limited. Refer note 30 for further details.

During the current year, Helloworld Travel deregistered the following dormant entities:

- Travelscene Tickets Pty Limited on 13 July 2016;
- World No. 1 Limited on 22 February 2017; and
- Advanced Applications (UK) Limited on 2 March 2017.

### 4. Other changes to controlled entities

During the current year, the following entities changed their legal name:

- Helloworld Limited to Helloworld Travel Limited on 10 April 2017;
- Stella Travel Services (NZ) Limited to Helloworld Travel Services (NZ) Limited on 18 August 2016;
- Stella Travel Services USA Inc. to Helloworld Travel Services USA Inc. on 15 August 2016;
- Stella Travel Services Group Pty Ltd to Helloworld Travel Services Group Pty Limited on 11 August 2016;
- Stella Travel Services (Australia) Pty Ltd to Helloworld Travel Services (Australia) Pty Limited on 11 August 2016; and
- Stella Travel Services Holding Pty Ltd to Helloworld Travel Services Holding Pty Limited on 11 August 2016.

On 2 June 2017, Helloworld Travel registered a new company named HTG Australia Pty Ltd. This legal entity is currently dormant.

## 28. Parent entity information

As at year ended 30 June 2017, the legal parent company of the Group was Helloworld Travel Limited. Set out below is the supplementary information about the parent entity.

### (a) Results of parent entity

| | PARENT | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Profit/(loss) after income tax | 19,539 | (27) |
| **TOTAL COMPREHENSIVE INCOME/(LOSS)** | **19,539** | **(27)** |
| **STATEMENT OF FINANCIAL POSITION** | | |
| Total current assets | 118,834 | 40,348 |
| Total non-current assets | 150,809 | 150,352 |
| **TOTAL ASSETS** | **269,643** | **190,700** |
| Total current liabilities | 54,073 | 15,464 |
| Total non-current liabilities | 146 | - |
| **TOTAL LIABILITIES** | **54,219** | **15,464** |
| **NET ASSETS** | **215,424** | **175,236** |
| **EQUITY** | | |
| Issued capital | 464,534 | 435,688 |
| Share based payments reserve | 2,498 | 1,286 |
| Accumulated losses | (251,608) | (261,738) |
| **TOTAL EQUITY** | **215,424** | **175,236** |

### (b) Parent entity guarantees in respect of debts of its subsidiaries

The legal parent Helloworld Travel Limited has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 29.

### (c) Parent entity tax liabilities in respect of its subsidiaries

The parent entity has entered into a tax funding agreement with the effect that the Company guarantees tax liabilities of other entities in the tax consolidated group. As at 30 June 2017 the tax consolidated group had a tax payable of $6.2 million (2016: $0.7 million).

### (d) Parent entity commitments and contingencies

The parent entity has no contractual commitments for the acquisition of property, plant and equipment and no contingent liabilities as at 30 June 2017 (2016: none).

## 29. Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the entities identified in note 27 are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial statements and Directors' reports.

Helloworld Travel has a Deed of Cross Guarantee in place since 25 May 2007. The effect of the Deed is that Helloworld Travel Limited has guaranteed to pay any deficiency in the event of the winding up of the controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. The controlled entities which are party to the Deed have also given a similar guarantee in the event Helloworld Travel Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee.

During the current year, the following entities were removed from the deed:

- World Aviation Systems (Australia) Pty Limited (23 January 2017)
- Global Aviation Services Pty Limited (23 January 2017)

The consolidated income statement and statement of financial position have been prepared in accordance with the accounting policy note 34 comprising the Company and the controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee and is set out below.

### (a) Statement of profit or loss and other comprehensive income

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **REVENUE** [1] | **116,372** | **72,845** |
| Employee benefits expenses | (52,833) | (46,195) |
| Advertising, selling and marketing expenses | (18,405) | (17,913) |
| Communication and technology expenses | (6,926) | (6,325) |
| Occupancy and rental expenses | (5,323) | (5,363) |
| Operating expenses [2] | (34,855) | (20,369) |
| Profit on disposal of investments | 429 | 332 |
| Earnings before interest expense, tax, depreciation and amortisation (EBITDA) | (1,541) | (22,988) |
| Finance expense | (2,597) | (2,626) |
| Depreciation and amortisation expense | (3,171) | (2,250) |
| **LOSS BEFORE INCOME TAX BENEFIT** | **(7,309)** | **(27,864)** |
| Income tax benefit | 5,058 | 8,249 |
| **LOSS AFTER INCOME TAX BENEFIT** | **(2,251)** | **(19,615)** |
| **OTHER COMPREHENSIVE INCOME** | | |
| Cash flow hedges transferred to profit or loss, net of tax | 3 | 23 |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(2,248)** | **(19,592)** |

1 Revenue includes $24.0 million (2016: nil) in dividends received from Australian entities outside the Closed Group.

2 Operating expenses include $17.6 million (2016: $1.3 million) relating to debt forgiveness of intercompany loans with entities outside of the Closed Group.

## (b) Summary of movement in accumulated losses

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Accumulated losses at the beginning of the financial year | (165,453) | (145,838) |
| Dividends paid | (9,409) | - |
| Loss after income tax benefit | (2,251) | (19,615) |
| **ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR** | **(177,113)** | **(165,453)** |

## (c) Statement of financial position as at 30 June

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | 23,397 | 10,865 |
| Trade and other receivables | 33,959 | 22,404 |
| **TOTAL CURRENT ASSETS** | **57,356** | **33,269** |
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | 1,670 | 1,719 |
| Intangible assets | 107,141 | 105,113 |
| Deferred tax assets | 6,928 | 6,604 |
| Investments | 206,088 | 206,086 |
| Other non-current assets | 127 | 301 |
| **TOTAL NON-CURRENT ASSETS** | **321,954** | **319,823** |
| **TOTAL ASSETS** | **379,310** | **353,092** |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | 196,997 | 168,651 |
| Borrowings | 104 | 287 |
| Derivative financial instruments | - | 3 |
| Provisions | 9,047 | 7,255 |
| Deferred revenue | 2,384 | 3,011 |
| Income tax payable | 6,163 | 1,813 |
| **TOTAL CURRENT LIABILITIES** | **214,695** | **181,020** |
| **NON-CURRENT LIABILITIES** | | |
| Borrowings | 11,134 | 37,044 |
| Deferred tax liabilities | 10,715 | 7,962 |
| Provisions | 2,284 | 2,444 |
| Other non-current liabilities | 2,126 | 4,057 |
| **TOTAL NON-CURRENT LIABILITIES** | **26,259** | **51,507** |
| **TOTAL LIABILITIES** | **240,954** | **232,527** |
| **NET ASSETS** | **138,356** | **120,565** |
| **EQUITY** | | |
| Contributed equity | 313,041 | 284,186 |
| Reserves | 2,428 | 1,832 |
| Accumulated losses | (177,113) | (165,453) |
| **TOTAL EQUITY** | **138,356** | **120,565** |

# 30. Business acquisitions and disposals

## (a) Acquisition of Cruise Factory, Seven Oceans Cruising, Cruise Abroad and Worldwide Cruise Centres

On 28 February 2017, Helloworld Travel completed its acquisition of Cruise Factory, Seven Oceans Cruising, Cruise Abroad and Worldwide Cruise Centres businesses (collectively referred to as the Cruise Businesses).

Cruise Factory is a cruise data provider specialising in providing access to a database of all major ocean and river cruise products worldwide including more than 20,000 itineraries, over 120 cruise lines, 450 ocean and river cruise vessels and information on over 3,000 ports worldwide.

Seven Oceans and Cruise Abroad are wholesale cruise specialists providing cruise packaging and services to a wide range of agency groups including the affiliated network of Worldwide Cruise Centres.

Details of the purchase consideration, net assets acquired and goodwill of the Cruise Businesses are as follows:

| | $'000 |
|---|---|
| Cash paid | 664 |
| Ordinary shares issued | 406 |
| **PURCHASE CONSIDERATION** | **1,070** |

The fair value of the 100,000 shares issued as part of the consideration paid for the Cruise Businesses was based on the published share price on 28 February 2017 of $4.06 per share.

The provisional assets and liabilities recognised as a result of the acquisition of the Cruise Businesses are as follows:

| | Fair Value $'000 |
|---|---|
| Property, plant and equipment | 9 |
| Other assets | 17 |
| **NET ASSETS ACQUIRED (EXCLUDING GOODWILL)** | **26** |
| Goodwill resulting from the acquisition | 1,044 |
| **FAIR VALUE OF NET ASSETS ACQUIRED** | **1,070** |

The goodwill is attributable to future revenue, profitability and cost synergies expected to arise from the acquisition. It will not be deductible for tax purposes.

## (b) Acquisition of AOT Group Limited

On 1 February 2016, the Group acquired 100% of the share capital of the AOT Group and its controlled entities (AOT) following approval by the Group's shareholders on 22 January 2016 at an extraordinary general meeting. The merger of these two complementary businesses is treated as an acquisition by Helloworld Travel for Group accounting purposes under applicable accounting standards. The merger creates a larger and more competitive integrated travel group which offers a broader range of travel products and services.

Details of the purchase consideration, net assets acquired and goodwill of AOT are as follows:

| | $'000 |
|---|---|
| Cash paid | 16,730 |
| Ordinary shares issued | 87,480 |
| **PURCHASE CONSIDERATION** | **104,210** |

The fair value of the 36,450,001 shares issued as part of the consideration paid for AOT was based on the published share price on 1 February 2016 of $2.40 per share. The cash consideration was settled in full by April 2016 and was adjusted to reflect the debt free, cash free basis of the transaction.

| | $'000 |
|---|---|
| **CASH CONSIDERATION, NET OF CASH ACQUIRED:** | |
| Cash paid to owners of AOT | (16,730) |
| Cash and cash equivalents acquired from controlled entities | 31,770 |
| **NET INFLOW OF CASH – INVESTING ACTIVITIES** | **15,040** |

Cash and cash equivalents relates mainly to AOT client trust account cash, utilised in the repayment of AOT client creditors.

The assets and liabilities recognised as a result of the AOT merger are as follows:

| | Provision at 30 June 2016 $'000 | Adjustments | Final at 30 June 2017 $'000 |
|---|---|---|---|
| Cash and cash equivalents | 31,770 | - | 31,770 |
| Trade receivables | 37,155 | (122) | 37,033 |
| Other current assets | 4,851 | - | 4,851 |
| Equity accounting investments | 1,727 | - | 1,727 |
| Property, plant and equipment | 4,907 | - | 4,907 |
| Identifiable intangible assets acquired | 15,217 | - | 15,217 |
| Deferred tax assets | 2 | - | 2 |
| Trade and other payables | (82,264) | - | (82,264) |
| Tax related payables | (2,907) | (299) | (3,206) |
| Provisions | (2,855) | - | (2,855) |
| Deferred tax liabilities | (7,784) | (2,144) | (9,928) |
| Non-controlling interests | (1,254) | - | (1,254) |
| Net assets acquired (excluding goodwill) | (1,435) | (2,565) | (4,000) |
| Goodwill resulting from the acquisition | 105,645 | 2,565 | 108,210 |
| **FAIR VALUE OF NET ASSETS ACQUIRED** | **104,210** | - | **104,210** |

During the current year, Helloworld Travel finalised the values of assets and liabilities acquired as a result of the AOT merger in accordance with acceptable accounting standards. The adjustments relate to the finalisation of income tax and the recognition of a deferred tax liability on the AOT Agent Network, acquired as part of the merger that has an indefinite useful life.

The goodwill is attributable to the additional products and services, the experience of the AOT management and cost synergies which are expected to increase the market share and earnings of the enlarged Group. It will not be deductible for tax purposes.

From the date of the merger, 1 February 2016 to 30 June 2016 (5 month period), AOT contributed revenue of $19.6 million and net profit before tax of $3.0 million to the 30 June 2016 Group results. If the date of the AOT merger was 1 July 2015, the enlarged Helloworld Travel group revenue would have been $334.5 million and group net profit before tax of $16.6 million for the year ended 30 June 2016. These results are based on the aggregation of the Helloworld Travel and AOT results, excluding certain significant items not in the ordinary course of business.

Acquisition related costs of $3.8 million that were incurred in FY16 by the Group, net of the AOT acquisition and not directly related to the issue of shares, are included in other expenses in the consolidated statement of profit or loss and other comprehensive income and in operating cash flows in the consolidated statement of cash flows.

## (c) Disposal of World Aviation Services Pty Ltd and Global Aviation Services Pty Ltd

On 23 January 2017, the Group disposed of its investment in World Aviation Systems (Australia) Pty Limited, Global Aviation Services Pty Limited and Global Aviation Services (Australasia) Pty Limited for a consideration of $0.5 million, after adjustments for employee leave liabilities and transaction costs. The disposal resulted in a profit before tax of $0.4 million in the current year.

## (d) Disposal of associate

On 10 July 2015, the Group disposed of its investment in Harvey World Travel Southern Africa (Pty) Limited for a consideration of $0.7 million. The disposal resulted in a profit before tax of $0.4 million in the 2016 financial year.

## (e) Settlement of Advanced Applications (UK) Limited acquisition

During the financial year ended 30 June 2014, the Group acquired 100% ownership interest in the business of Advanced Applications (UK) Limited. The acquisition had a deferred consideration component, which was settled in the current year of $0.7 million and reported in the consolidated statement of cash flows.

# 31. Share based payments

## (a) Long term incentive plan (LTIP)

### Background

The Board adopted the Helloworld Travel 2016 long term incentive plan (LTIP) following a review of the previous short and long term incentive plans for key executives and senior leaders. This scheme replaces the previous LTIP which was in place for a certain number of Helloworld Travel Senior Leaders. The overall objectives of the LTIP is to lock in key leaders for an extended period of time whilst at the same time incentivising them to generate superior returns for the Group.

The LTIP was approved by Shareholders at the 2016 Annual General Meeting. The key criteria for the new LTIP are as follows:

- Allocations are limited to key executives and senior leaders reporting to the CEO or senior leaders who are considered critical to the ongoing success of the Group. The CEO and Group General Manager Wholesale and Inbound do not participate in the LTIP;
- LTIP replaces the former performance rights plan (PRP) and the short term incentive plan (STIP) for KMP;
- The threshold performance criteria is directly linked to total shareholder return (TSR) and provides reward on successful marked improvement of Helloworld Travel's return to shareholders over a three year period;
- The executive or senior leader will need to meet individual KPIs as determined by the Board and CEO over the three year period; and
- The initial allocation is for a three year period. It is currently not envisaged that participants who receive a grant in the 2017 financial year will receive further grants prior to the 2017 grant vesting or expiring.

The key attributes of the plan are as follows;

| | |
|---|---|
| **Type of scheme** | Loan funded long term incentive plan |
| **Scheme commencement** | 1 July 2016 |
| **Scheme measurement and vesting date** | 1 July 2019 |
| **Number of shares issued** | 2,600,000 |
| **Share issue price at commencement** | $3.00 per share |
| **Performance Criteria** | Must meet both;<br>- TSR (based on share price), and<br>- Individual KPIs |
| **50% Vesting** | $4.50 share price / TSR of 14% pa |
| **100% Vesting** | $5.50 share price / TSR of 22% pa |
| **KPIs** | Determined by the CEO periodically and the achievement of these KPIs would be at the sole discretion of the CEO and Board. |
| **Loan** | A loan will be given to the participant equal to share value at the scheme commencement and the number of shares issued. The loan is repaid to the company after vesting conditions are met. |

A holding lock will be placed on the shares until the vesting date has been reached and the performance criteria have been assessed. Should the shares vest, they will be removed from the holding lock and issued to the eligible employee. If the shares fail to vest, then the shares will be forfeited and cancelled.

These shares attract dividends as per ordinary paid up shares. The dividends earned will be offset against any future loan payable by the eligible employee under the scheme.

During the year ended 30 June 2017, there were 2,600,000 shares granted under the new 2016 LTIP per the table below:

| | | | | Number of shares | | | | |
|---|---|---|---|---|---|---|---|---|
| Grant Date | Start of performance period | End of performance period | Exercise price | Opening balance | Granted | Lapsed | Closing balance | Vested and exercisable at end of the year |
| 1-Jul-16 | 1-Jul-16 | 30-Jun-19 | $3.00 | - | 2,600,000 | - | 2,600,000 | - |

## Fair value of shares granted under the LTIP

The assessed fair value of the shares granted during the year ended 30 June 2017 was $0.77 per share with a total value of $2.0 million (2,600,000 shares) over the 3 year vesting period.

The fair value was determined using a version of the Black Scholes model incorporating Monte Carlo simulation analysis to value the loan share instruments. This incorporates the market-based performance condition attached to the loan share instruments.

## (b) Legacy long term incentive plan (performance rights plan)

At the beginning of the current period, Helloworld Travel only had one tranche of 111,234 performance rights outstanding under the former Helloworld Travel Limited PRP. These performance rights were not exercisable and lapsed during the current year. No performance rights were granted during the current year.

### Background

The Group previously remunerated key executives and senior leaders under the PRP. The PRP had been approved by Shareholders at the 2011 Annual General Meeting. Under the PRP, conditional rights ('performance rights') to acquire shares in Helloworld Travel were awarded to eligible senior executives as the long term incentive component of their remuneration for each relevant financial year.

Each performance right generally provided the holder a conditional right to acquire one fully paid share in Helloworld Travel if any applicable performance or other vesting conditions were satisfied (or waived).

### Performance conditions

Features of the performance rights granted for each of the 2011-2015 financial years were as follows:

- The performance rights were subject to performance conditions linked to growth in the Helloworld Travel's adjusted earnings per share ('adjusted EPS'). Adjusted EPS is EPS adjusted for significant, non-recurring and/or unusual items. The actual adjusted EPS was compared to a target adjusted EPS. Adjusted EPS is not a financial measure prescribed by Australian Accounting Standards but is a measure used by the remuneration committee (RC) solely to assess the vesting of performance rights.
- To achieve vesting, the aggregate adjusted EPS for each performance period must meet or exceed the target adjusted EPS. The target adjusted EPS was adjusted to reflect the 1 for 6 share consolidation that took place on 27 January 2016.
- Where the actual adjusted EPS achieves the minimum specified target adjusted EPS, fifty per cent of each performance right tranche would vest. Where the actual adjusted EPS achieves the maximum specified target adjusted EPS, one hundred per cent of each performance right tranche would vest. A straight line vesting is applied where the actual adjusted EPS falls between the minimum and maximum specified target adjusted EPS.

Details of the performance rights movements during the year are set our below:

| | | | | Number of shares | | | | |
|---|---|---|---|---|---|---|---|---|
| Grant Date | Start of performance period | End of performance period | Exercise price | Opening balance | Granted | Lapsed | Closing balance | Vested and exercisable at end of the year |
| 27-Feb-15 | 1-Jul-14 | 30-Jun-17 | $0.00 | 111,234 | - | 111,234 | - | - |

## (c) Franchise loyalty shares

On 20 December 2016, Helloworld Travel issued 666,000 shares to franchisees who had elected to participate in the franchise loyalty plan.

The shares were issued for nil consideration. The shares have certain non-market conditions which must be satisfied until their vesting date of 31 October 2018. If the franchisee leaves the Helloworld Travel network, or other non-market conditions are not met prior to the vesting date, the shares allocated to the respective franchisee will be forfeited and cancelled. At the vesting date, franchisees which have satisfied the required conditions of the scheme will be issued with their allocated shares at no cost. All franchise loyalty shares rank equally in all respects with existing shares from the date of their issue. Dividends on these shares are payable to the respective franchisee during the vesting period if declared by the Group.

The fair value of the shares are amortised over the vesting period as a share based payment expense. The key attributes of the plan are as follows;

| | |
|---|---|
| **Type of scheme** | Franchise loyalty plan |
| **Scheme commencement date** | 20 December 2016 |
| **Scheme measurement and vesting date** | 31 October 2018 |
| **Number of shares issued** | 666,000 |
| **Key performance criteria** | Must remain a member of the Helloworld Travel franchisee network at vesting date |

Details of the franchise loyalty shares movements during the year are set our below:

| | | | | Number of shares | | | | |
|---|---|---|---|---|---|---|---|---|
| Grant Date | Start of performance period | End of performance period | Exercise price | Opening balance | Granted | Lapsed | Closing balance | Vested and exercisable at end of the year |
| 20-Dec-16 | 20-Dec-16 | 31-Oct-18 | $0.00 | - | 666,000 | - | 666,000 | - |

## (d) Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period were as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Write-back of lapsed performance rights under legacy PRP | (136) | (359) |
| Shares granted under 2016 LTIP | 667 | - |
| Shares granted under franchise loyalty plan | 681 | - |
| **TOTAL SHARE BASED PAYMENT EXPENSES** | **1,212** | **(359)** |

These expenses were taken to the share based payment reserve which forms part of the reserves in the consolidated statement of financial position.

## 32. Defined benefit plan

Previously, the Group entered into a superannuation deed with Qantas Airways Limited setting out the arrangements which would apply to employees of the Group that are also members of the Qantas Superannuation Plan (divisions of which are in the nature of defined benefit plan). Under the deed, Helloworld Travel had previously assumed responsibility for the plan assets and plan liabilities for these members in the defined benefit plan controlled and managed by Helloworld Travel.

The plan was wound up on 29 February 2016 and thereafter defined benefits ceased to be provided to the previous members of the Plan. The remaining members agreed to transfer to an Australian Super accumulation fund. The assets and liabilities under this defined benefit plan were settled and derecognised from the Group's consolidated statement of financial position at that date.

As at 30 June 2017, Helloworld Travel has no defined benefit plan as the former plan ceased on 29 February 2016 and was not replaced. As a result, no financial transactions or balances have been recorded in the current financial year and the below summary highlights the respective comparative year financial information up to its closure on 29 February 2016.

| | CONSOLIDATED | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION** | | |
| Balance at the beginning of the year | - | 3,062 |
| Amount recognised in the statement of comprehensive income | - | (2,405) |
| Total expense | - | (640) |
| Employer contributions | - | (17) |
| **BALANCE AT THE END OF THE YEAR** | **-** | **-** |

| | CONSOLIDATED | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **EXPENSE RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | | |
| Current service cost | - | 512 |
| Interest cost | - | 324 |
| Past service cost | - | 192 |
| Interest income | - | (388) |
| **TOTAL INCLUDED IN EMPLOYEE BENEFITS EXPENSE** | **-** | **640** |

| | CONSOLIDATED | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION** | | |
| Opening defined benefit obligation | - | 10,058 |
| Current service cost | - | 512 |
| Interest cost | - | 324 |
| Past service cost | - | 192 |
| Member contributions | - | 112 |
| Actuarial losses from other changes | - | 1,208 |
| Actuarial losses from changes in financial assumptions | - | 941 |
| Payments from the plan | - | (2,061) |
| Curtailments and settlements | - | (11,286) |
| **CLOSING DEFINED BENEFIT OBLIGATION** | **-** | **-** |

| CHANGES IN THE FAIR VALUE OF PLAN ASSETS | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Opening fair value of plan assets | - | 13,120 |
| Return on plan assets | - | 132 |
| Contributions by entities in the Group | - | (17) |
| Member contributions | - | 112 |
| Payments from the plan | - | (2,061) |
| Settlements | - | (11,286) |
| **CLOSING FAIR VALUE OF PLAN ASSETS** | **-** | **-** |

| ACTUAL RETURN GAIN/(LOSS) ON PLAN ASSETS | CONSOLIDATED 2017 $'000 | 2016 $'000 |
|---|---|---|
| Actuarial (losses) recognised during the year | - | (2,405) |
| Cumulative actuarial gains recognised | - | 2,001 |

### Significant actuarial assumptions and sensitivity

The significant actuarial assumptions used (expressed as weighted averages) were as follows:

| | CONSOLIDATED 2017 % | 2016 % |
|---|---|---|
| Discount rate | - | 3.8% |
| Future salary increases | - | 3.8% |

In the prior period, the plan exposed Helloworld Travel to interest rate risk, investment risk and inflation risk. As the plan was closed in the prior year, these risks no longer exist.

## 33. Events after the reporting period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years except:

### Dividends

On 23 August 2017, the Group declared an 8.0 cents per share fully franked final dividend. The dividend is to be paid on 20 September 2017, with a record date of 4 September 2017. The dividend will be paid out of the 2017 financial year profits, but is not recognised as a liability as at 30 June 2017.

# 34. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of the legal owner Helloworld Travel Limited and its controlled entities.

## (a) Principles of consolidation

### (i) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Helloworld Travel Limited as at 30 June 2017 and the results of all subsidiaries for the year then ended. Helloworld Travel Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Helloworld Travel Limited and other individual entity financial statements within the Group.

### (ii) Accounting for associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. The Group reviews that carrying value of the investment in associates for impairment annually. Any identified impairment is recorded as an impairment charge in the profit or loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying value of the controlling and non-controlling interests to reflect their relative interests in a subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Helloworld Travel Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint arrangement or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### (iv) Reverse acquisition accounting applied by the Group

On 30 September 2010, Helloworld Travel Limited (formerly known as Jetset Travelworld Limited) completed a merger with Helloworld Travel Services Holdings Pty Limited (HTSH, formerly known as Stella Travel Services Holdings Pty Limited). In accordance with applicable Australian Accounting Standards, this merger was accounted for as a reverse acquisition business combination.

This reverse acquisition business combination follows the reverse acquisition business combination that was accounted for at the time of the merger of Helloworld Travel Limited (formerly known as Jetset Travelworld Limited), Qantas Holidays Limited and QBT Pty Limited in July 2008.

In applying the requirements of AASB 3 Business Combinations to the HTSH merger with the Group:

- Helloworld Travel Limited is the legal parent entity to the Group; and
- Helloworld Travel Services Holdings Pty Limited (HTSH), which is neither the legal parent nor legal acquirer, is deemed to be the accounting acquirer.

The consolidated financial information incorporates:

- the assets and liabilities of all entities deemed to be acquired by HTSH, including Helloworld Travel Limited and its controlled entities; and
- the results of these entities for the period from which those entities are accounted for as being acquired by HTSH.

The assets and liabilities of Helloworld Travel Limited and its controlled entities acquired by HTSH were recorded at fair value, whilst the assets and liabilities of HTSH and its controlled entities were maintained at their previous book value. The impact of all transactions between entities in the Group were eliminated in full.

AASB 3 Business Combinations requires that consolidated financial statements prepared following a reverse acquisition shall be issued under the name of the legal parent (Helloworld Travel), but be a continuation of the financial statements of the legal subsidiary (HTSH, which is the acquirer for accounting purposes).

## (b) Business combinations

The acquisition purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Where equity instruments are issued in an acquisition, the instrument's fair value is its published market price at the date of the exchange unless, in rare circumstances, it can be demonstrated that the published price at the exchange date is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree acquisition date, and fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, future amounts payable are discounted to their present value at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as financial liabilities are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value on the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## (c) Foreign currency translation

### (i) Transactions and balances

Foreign currency transactions are translated to the functional currency at the rates of exchange prevailing at the date of each transaction. At balance date, amounts receivable and payable in foreign currencies are translated at the rates of exchange prevailing at that date. Exchange rate differences resulting from the settlement of such transactions and from translation of monetary assets and liabilities are brought to account as exchange gains or losses in the statement of profit or loss and other comprehensive income in the year in which the exchange rates change, except where they are deferred in equity if they relate to qualifying cashflow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other comprehensive income within finance costs. All other foreign exchange gains or losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or expense.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates prevailing at the dates the fair value was determined. All foreign exchange gains/losses are presented in the statement of profit or loss and other comprehensive income within revenue or other expenses.

### (ii) Investments in foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing exchange rate of the reporting date;

- income and expenses for each consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates, which approximate the rate at the date of the transaction; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## (d) Revenue recognition

The principal activities of the Group are those of acting as an agent for tour, travel and accommodation providers for which the Group earns service revenue, predominantly in the form of commissions, incentives and rebates.

Revenue is recognised and measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

### (i) Rendering of services

#### Commission from the arrangement of tours, travel and travel-related products

Commissions from the arrangement of airline ticket, tours and travel are recognised when tickets, itineraries or travel documents are issued, consistent with an agency relationship. Revenue is recognised as the net amount of commission received or receivable by the Group.

In relation to our Inbound business in Australia, New Zealand and Fiji, revenue from the arrangement of airline ticket, tours and travel are recognised on the traveller's tour or travel departure date, consistent with the agency relationship for Inbound travel arrangements. Revenue is recognised as the net amount of commission received or receivable by the Group.

Commissions from travel-related products (e.g. insurance and foreign currency purchasing services) and incentives from suppliers are recognised as revenue when they are earned and the amount can be reliably measured. Revenue is disclosed as the gross amount of income received or receivable by the Group.

#### Override commission revenue

The Group recognises override commission when it is contractually entitled to receive this. This is generally when the passenger has flown/departed (for air and cruise) or the passenger has commenced their hotel stay.

Each supplier has separate contractual agreements with the Group and the contractual periods vary accordingly.

Override commission is calculated for the contract period, based on value of "eligible travel" during the period and the "override rates" in the each of the supplier contracts. The definition of eligible travel varies by supplier and is defined in each supplier contract. Eligible travel for the financial year is calculated by the Group based on the detailed booking information and is reviewed in light of current booking trends and historical information.

Override rates applied to calculate the override commission revenue are specified in each supplier contract and often refer to tiered override earning rates, based on differing levels of eligible travel sales being achieved for the contractual period (i.e. performance tiers). In order to estimate the appropriate override rate, the expected eligible travel sales for the contract period are estimated (based on actual sales, forecast bookings and historical trends) and compared to the performance tiers.

### Other services

Franchise, agency and licence fees are recognised on a straight-line basis over the term of the agreement. Revenue is disclosed as the gross amount of fees received by the Group.

In relation to marketing activities and conferences where a principal rather than agency relationship exists, amounts charged to third parties for advertising and marketing contributions are recognised to revenue when the associated operating expenses are recorded within advertising and marketing expenses.

### (ii) Dividends

Dividend revenue is recognised when the Group's right to receive the payment is established. This applies even if the dividend is paid out of pre-acquisition profits.

### (iii) Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in revenue, using the effective interest method.

## (e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Client cash includes all monies entrusted to the Group by intending travellers or customers prior to travelling.

## (f) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally collected within 30 days. They are presented as current assets unless collection is not expected within 12 months from the reporting date. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. Bad debts are written off as incurred. Non-current receivables are carried at the present value of future net cash inflows expected to be received.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable 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. The amount of the impairment loss is the receivable carrying amount compared to the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

## (g) Prepayments

Prepayments primarily consist of travel products purchased for bookings that have not yet been ticketed and prepaid operating expenditure. Prepayments of travel products are recognised as part of the net amount of commissions received in the statement of profit or loss and other comprehensive income at the ticketing date of the applicable booking, in line with the revenue recognition policy.

## (h) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the assets carrying amount or recognised as a separate asset when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific asset. This is generally as follows:

- Freehold buildings – 40 years
- Office equipment – 2.5 to 10 years
- Leasehold improvements – term of lease
- Leased plant and equipment - term of lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end on a prospective basis. An asset's carrying amount is written down immediately if the asset's carrying value is greater than its estimated recoverable amount.

Cost associated with make good provisions are capitalised into the cost of leasehold improvements and amortised over the corresponding term of lease.

Gains and losses on disposals are determined by comparing proceeds with the asset carrying amount. These are included in the statement of profit or loss and other comprehensive income.

## (i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently recognised as a reduction in the rental expense over the lease term.

Leases in which substantially all the risks and benefits incidental to ownership of the leased items are transferred to the Group are classified as finance leases. The Group currently has not entered into any finance leases.

## (j) Investment property

Investment property is held for long term rental yields and is not occupied by the Group. Investment property is carried at fair value. When measuring the fair value of investment property the Group ensures that the fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing the investment property under current market conditions. Changes in fair values are recorded in profit or loss as part of other income.

## (k) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (where applicable). Internally generated intangible assets, excluding capitalised software development costs, are not capitalised and expenditure is charged against profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised using the straight line method over the following periods:

- Supplier agreements 8 years
- Brand names 7 to 20 years
- Trademarks 7 to 20 years
- Software, website and other assets 2.5 to 5 years

Intangible assets with finite lives are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed at least at each financial year end.

Goodwill, Franchise System and Agent Network are considered to be indefinite life intangible assets. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the Cash Generating Unit (CGU) level. These intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is applied prospectively.

Amounts paid for the development of software and website intangible assets are capitalised only when it is probable the future economic benefits of the project will flow to the Group. Costs capitalised include external direct costs of materials and service, and direct payroll and payroll related costs of employees' time spent on the project.

## (l) Impairment of assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill and intangible assets that have indefinite lives or are not yet available for use, the recoverable amount is estimated each year at the same time or more frequently if events or circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount of an asset, or the CGU, is the greater of its value in use and its fair value less costs of disposal. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGUs). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

## (m) Investment and other financial assets

Investments and other financial assets are categorised as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Classification is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

### Recognition and de-recognition

Purchases and sales of financial assets are recognised on the trade date, that is the date that the Group commits to purchase or sell the asset. Purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established, generally by regulation or convention in the market place.

Financial assets are de-recognised when the right to receive cash flows from the financial assets has expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## (n) Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently measured at their amortised cost. Due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. The amounts are unsecured and are usually paid within 30 days of recognition.

The Group has agent incentive programs in place with its retail travel agents. Participating retail travel agents earn incentives based on the volume of completed sales made with designated preferred suppliers of the Group. The Group recognises a liability for the cost of the incentives and these incentives are paid to the retail travel agents when the liability falls due.

## (o) Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event, the amount can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are not recognised for future operating losses.

If the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is treated as a finance charge.

### (i) Dividends

Dividends are only recognised in the financial year in which the dividend is actually paid. In accordance with section 27.3 of the Company Constitution, the Company does not incur a debt merely by fixing the amount or time for payment of a dividend. A debt arises only when the time fixed for payment arrives. The decision to pay a dividend may be revoked by the Board at any time before then.

### (ii) Lease make good

A provision is recognised in respect of existing lease contracts for the estimated present value of expenditure required to complete dismantling and site restoration obligations under those contracts at balance date. Further dismantling and restoration costs are reviewed annually. Any changes are reflected in the present value of the lease make good provision at the end of the reporting period.

### (iii) Onerous lease contracts

A provision for onerous lease contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, net of any sub-lease revenue that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

### (iv) Restructuring

Restructuring provisions are recognised as an expense when the Group has made a commitment to restructure a part of the business. All payments are expected to be settled within the next accounting period.

### (v) Rent straight line

A provision for straight line rent is recognised for fixed rental increases contracted to occur over the period of the lease. The provision is released such that rent expense is recognised on a straight line basis over the lease term

## (p) Deferred revenue

Revenues received prior to the finalisation of the booking are recorded on the statement of financial position as revenue received in advance. The revenues are recognised in the statement of profit or loss and other comprehensive income at the time of document issue (i.e. ticketing date) or departure date of the traveller for the Inbound business, net of the cost of sale in accordance with the revenue accounting policy outlined above.

## (q) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

### Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of profit or loss and other comprehensive income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects the statement of profit or loss and other comprehensive income.

When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects the statement of profit or loss and other comprehensive income.

## (r) Employee benefits

### (i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, and annual leave due to settle within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

### (ii) Long-term employee benefits

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the end of reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields of high quality corporate bonds at the end of the reporting period, with terms and currencies that match, as closely as possible, to the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

### (iii) Share based payments

Share based compensation benefits are provided to employees and franchisees via the long term incentive plan (LTIP) and the franchise loyalty plan respectively. Information relating to these schemes is set out in note 31.

The fair value of the share based payments for the LTIP and the franchise loyalty plan are recognised as an employee benefits expense or operating cost respectively with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the instrument granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the instrument vests, the Company releases the appropriate amounts of shares to the employee or franchisee (respectively). The proceeds received (if any) net of any directly attributable transactions costs are credited directly to equity.

### (iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### (v) Bonus plans

The Group recognises a liability and expense for bonuses based on expected amounts payable.

### (vi) Defined contribution and defined benefit plans

Contributions to the defined contribution section of the Group's superannuation fund and other independent defined benefit contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The defined benefit plan controlled by Helloworld Travel was wound up effective from 29 February 2016 with all assets and liabilities under this plan settled and derecognised from the consolidated statement of financial position.

The liability or asset recognised in the balance sheet in respect of defined benefit superannuation plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes of equity and in the consolidated statement of financial position. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

## (s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of the loan facilities, which are not an incremental cost relating to the actual drawing down of the facility, are netted against the loan liability and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## (t) 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.

## (u) Predecessor accounting reserve

Business combinations involving entities under common control are accounted for using the predecessor accounting method. Under this method, carrying values are not restated in the accounts of the acquiring entity, rather prior book values are maintained, including any goodwill previously recognised in relation to the acquired entities. As a result, no fair value adjustments are recorded on the acquisition. Any difference between consideration provided and the carrying value of net assets acquired is recorded as a separate element of equity.

In the current financial year, the balance of the predecessor accounting reserve has been transferred to retained profits/accumulated losses via the statement of changes in equity.

## (v) Earnings per share (EPS)

Basic EPS amounts are calculated by dividing net profit/loss for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS adjusts the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## (w) Income tax

Income tax expense or revenue on the profit or loss for the year comprises current and deferred tax. Current tax includes any adjustment to tax payable in respect of previous years. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based upon the current year's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary timing differences at the balance date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences except when:

- the deferred tax liability arises from the initial recognition of goodwill or 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 taxable profit or loss; or
- the taxable temporary difference is associated with investments in subsidiaries, and the time of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward or unused tax credits and unused tax losses, to the extent that it is probable that the 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 tax assets 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
- the deductible temporary difference is associated with investments in subsidiaries, 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 taxable profit will be available against which the temporary differences 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 tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

Deferred tax assets and 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.

## (i) Tax consolidation legislation

Helloworld Travel Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Helloworld Travel Limited, and its 100% wholly-owned subsidiaries in the Australian income tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the Australian income tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Helloworld Travel Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Australian income tax consolidated group where applicable.

Assets or liabilities arising under tax financing arrangements with the Australian income tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

### (ii) Nature of tax funding arrangements and tax sharing agreements

Helloworld Travel Limited, in conjunction with the other 100% wholly owned subsidiary members of the Australian income tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the Australian income tax consolidated group in respect of the Group's tax liability. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an intercompany receivable/(payable) equal in amount to the tax liability/(asset) assumed. The intercompany receivable/(payable) is at call.

The amounts receivable/payable under the tax funding arrangement are due upon receipt of the funding advice from the head tax entity, which is issued as soon as practicable after the end of each financial year. The head tax entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising from the tax funding agreement with Helloworld Travel Limited are recognised as a current amount receivable or payable to Helloworld Travel Limited. Any difference in the amounts assumed and the amount receivable or payable to Helloworld Travel Limited, are shown as a contribution to, (or distribution from) the head tax entity Helloworld Travel Limited in the results of the individual legal entities.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangements and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with the other members of the Australian income tax consolidated group, has also entered into a tax sharing arrangement which provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement, as payment of any amounts by subsidiary members under the tax sharing agreement is considered remote.

## (x) 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.

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 is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable, or payable to, the taxation authority.

## (y) Parent entity financial information

The financial information for the legal parent entity, Helloworld Travel Limited is disclosed in note 28 and has been prepared on the same basis as the consolidated financial statements, except as set out below.

### (i) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the financial statements of Helloworld Travel Limited.

### (ii) Tax consolidation legislation

Helloworld Travel Limited and its wholly-owned Australia controlled entities have implemented the tax consolidation legislation.

### (iii) Financial guarantees

Where Helloworld Travel has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of investment.

# DIRECTORS' DECLARATION

## In the directors' opinion:

(a) The consolidated financial statements and notes that are set out on pages 52 to 120 and the Remuneration report in the Directors' Report set out on pages 32 to 41, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), other mandatory professional reporting requirements and the Corporations Regulations 2001; and

(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; and

(c) The attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

(d) At the date of this declaration there are reasonable grounds to believe that the Company and the Group entities identified in note 27 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between the Company and those Group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

Garry Hounsell

Chairman
Helloworld Travel Limited
Melbourne, 23 August 2017

# *Independent auditor's report*

To the shareholders of Helloworld Travel Limited

## *Report on the audit of the financial report*

### *Our opinion*

In our opinion:

The accompanying financial report of Helloworld Travel Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *What we have audited*

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the Directors' declaration.

### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### *Our audit approach*

#### *Overview*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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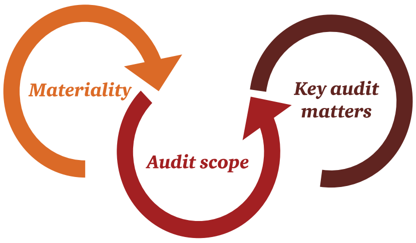
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.




| *Materiality* | *Audit scope* | *Key audit matters* |
| --- | --- | --- |
| • For the purpose of our audit we used overall group materiality of $1.6m, which represents approximately 5% of the Group's profit before tax.<br>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.<br>• We chose group profit before tax because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark.<br>• We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable profit related thresholds. | • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.<br>• The Group predominately operates across Australia and New Zealand, with operations in Fiji, Vietnam, the United States of America and other locations.<br>• The Group accounting function is based in Melbourne.<br>• Our work is performed predominately in Australia with reporting from component auditors in New Zealand.<br>• In relation to the component auditor, we decided on the level of judgement required from us to be able to conclude whether sufficient appropriate audit evidence has been obtained. Our involvement included written instructions to and reporting from the component auditor, discussions with the component auditor to understand their audit approach and clarifying findings and further discussions with component management, where required. | • Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:<br>– Carrying value of goodwill<br>– Carrying value of franchisee system and agent network<br>– Estimation of override commission revenue<br><br>These are further described in the Key audit matters section of our report. |

## *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|

***Carrying value of goodwill***

*(Refer to note 13)*

The Group has a goodwill balance of $144.9m which represents 23% of the total assets of the Group. The Group's goodwill is recognised in three Cash Generating Units (CGU) – Australia Retail Franchise Operations ($21.9m), Australia Wholesale & Inbound ($111.7m) and New Zealand ($11.2m). There are an additional 2 CGU's, Australia Travel Management and Rest of World, which have no goodwill allocated to them as at 30 June 2017.

During the current year, the Group implemented a new organisational structure to reflect management of the Group on a geographical basis. As a result, the previous CGUs of Retail Franchise Operations, Wholesale & Inbound and Travel Management have been replaced by those noted above.

A goodwill impairment assessment was performed on the previous CGUs, with no impairment identified. The goodwill has been reallocated to the new CGU's based on the relative value contribution of each CGU.

For the year ended 30 June 2017, the Group performed an impairment assessment over the goodwill balance by:

1. Calculating the 'Value in Use' for each CGU using a discounted cash flow model.
2. Comparing the 'Value in Use' of each CGU to their respective book value to determine the need for any impairment.

The impairment models included cash flows for each CGU for a forecast 5 year period. A terminal growth rate was applied in determining the terminal value.

The assessment did not identify a need for impairment.

We considered the carrying value of goodwill to be a key audit matter as the balance is material and there is significant judgement involved in estimating future cash flows, particularly with respect to determining appropriate:

- Discount rates
- Annual growth rates (short-term)
- Terminal growth rates

We compared the Group's net assets as at 30 June 2017 to its market capitalisation and noted headroom.

To evaluate the impairment assessment, and the process by which the forecast cash flows were developed we:

- Assessed the allocation of assets, liabilities and cash flows to each CGU to test whether they were directly attributable to the individual CGUs.
- Compared the forecasted cash flows for 2018 used in the impairment assessment with the FY2018 budget approved by the directors.
- Assessed the cash flow forecasts for each CGU in the models by considering the key factors and underlying drivers for growth in the context of the Group's future plans.
- Considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in the prior year to the actual performance of each CGU in the current year.
- Compared the terminal growth rate to historical growth rates and economic forecasts.

With the assistance of our internal valuation experts, we assessed the discount rates used in the impairment assessment by comparing it to our expected range based on market data, comparable companies and industry research.

We performed a sensitivity analysis for each CGU by reducing the cash flow growth rates and terminal growth rates, and increasing the discount rates within a reasonably foreseeable range.

***Carrying value of Franchise systems and Agent network***

*(Refer to note 13)*

The Franchise system ($97.4m) and Agent network ($8.3m) are indefinite life intangible assets, allocated to specific cashflows within Australia Retail Franchise Operations and Australia Wholesale & Inbound segments respectively. These are the integrated system of methods, procedures, techniques and other systems which, together with a network of franchisees

To evaluate the cash flow forecasts and the process by which they were developed we:

- Assessed the allocation of cash flows to each impairment assessment and found them to be directly attributable to the individual intangible assets.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| and agents facilitate the day to day running of the businesses. The franchise system asset was first recognised and valued in 2011 as part of the Jetset / Stella merger and the Agent network was recognised as part of the purchase price accounting after the merger with the AOT Group in 2016.<br><br>For the year ended 30 June 2017 the Group performed impairment assessments at these individual asset levels by:<br>1. Calculating the recoverable amount based on an excess earnings calculation.<br>2. Comparing the recoverable amount of the Franchise system and Agent network to the carrying amount.<br><br>The assessment did not identify a need for impairment.<br><br>We considered the carrying value of the Franchise system and Agent network to be a key audit matter as the balances are material and there is significant judgement involved in estimating future cash flows, particularly with respect to determining appropriate:<br>• Discount rates<br>• Annual growth rates (short-term)<br>• Terminal growth rates | • Compared the forecasted cash flows for 2018 used in the impairment assessments with the FY2018 budget approved by the directors.<br>• Assessed the cash flow forecasts for each impairment assessment by considering the key factors and underlying drivers for growth in the context of the Group's future plans.<br>• Considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in the prior year to the actual performance of each respective business in the current year.<br>• Compared the terminal growth rate to historical growth rates and economic forecasts.<br><br>With the assistance of our internal valuation experts, we assessed the discount rate used in the impairment assessment by comparing it to our view of an acceptable range based on market data, comparable companies and industry research.<br><br>We performed a sensitivity analysis for each impairment assessment by reducing the cash flow growth rate and terminal growth rate, and increasing the discount rate within a reasonably foreseeable range. |
| ***Estimation of override commission revenue***<br><br>*(Refer to note 1 (d)(ii) and note 34 (d)(i))*<br><br>The Group generates revenue through various streams, including override commission revenue. The Group estimates override commission revenue generated by airlines and leisure partners. The commission revenue accrual process is inherently judgemental and is impacted significantly by factors which are not completely under the control of the Group.<br><br>These factors include:<br>• a significant portion of commission contract periods do not correspond to the Group's financial year end. Judgement is required to determine anticipated future travel revenues over the remaining contract year and associated commission rates;<br>• The differing commencement dates of the override commission contracts mean that commissions may have to be estimated for contracts for which the applicable override commission rates have not been finalised and agreed between the parties; and<br>• periodic renegotiation of terms and contractual arrangements with the suppliers of travel products may result in additional volume/incentives, rebates or other bonuses being received which relate to past performance. | We evaluated management's estimates and judgements in determining revenue recognised in relation to override commission revenue from supplier contracts during the year, with particular focus on judgements made at year end with regard to accounts receivable in relation to override commission revenue.<br><br>For override commission revenue that is cash settled during the period our testing included the following, performed on a sample basis:<br>• Traced override commission revenue to cash receipts.<br>• Obtained a copy of the supplier contracts and reconciled the eligible revenue and commission rates to override commission revenue calculations.<br><br>Override commission revenue outstanding at year end within accounts receivable is the key area subject to estimation. The testing procedures performed over this balance included the following performed on a sampling basis:<br>• Obtained a copy of the supplier contracts outlining the eligible revenue and commission rates, and compared this to the rates used in the calculations.<br>• Obtained the most recent supplier statement |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Override commission revenue is calculated for the contract period based on the value of 'Eligible Travel' during the period and the corresponding commission rate in each of the supplier contracts. These 'Override Rates' are often a tiered override earning rate based on differing levels of Eligible Travel.<br><br>In order to estimate the appropriate Override Rate, the expected Eligible Travel sales for the contract period are estimated and compared to the performance tiers. These forecasts are based on actual sales, forecast bookings and historical trends.<br><br>In some instances judgement may be required if a performance tier is close to being achieved or missed. This is reviewed in light of current sales trends and forecast sales and the rates are adjusted as required.<br><br>We considered this to be a key audit matter due to the significance of the override revenue to the Group's financial statements and the level of judgement involved in the calculation. | confirming eligible travel and reconciled this to the calculations.<br>• Agreed the underlying revenue data used in the override commission revenue calculations to independent third party booking information.<br>• Assessed the accuracy of future estimates through evaluating the forecast Group sales of the third party's products compared to historical actuals.<br>• Compared the actual override commission received in the current financial year relating to the prior period accrual estimation to test the accuracy of past estimates. |

## *Other information*

The directors are responsible for the other information. The other information comprises the Chairman's Report, Chief Executive Officer's Report, Financial Performance Summary, Directors' Report, Corporate Governance Statement and ASX additional information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

# *Report on the remuneration report*

## *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 32 to 41 of the Directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Helloworld Travel Limited, for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

## *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Andrew Cronin
Partner

23 August 2017

# ASX ADDITIONAL INFORMATION

Additional information required by the ASX and not shown elsewhere in this report is as follows. The information is current as at 31 July 2017.

## (a) Distribution of equity securities

The number of shareholders, by size of holding, are:

| SHARE RANGE | Number of holders | Number of shares | % |
|---|---|---|---|
| 1 - 1,000 | 769 | 398,901 | 0.33 |
| 1,001 - 5,000 | 548 | 1,277,141 | 1.06 |
| 5,001 - 10,000 | 88 | 670,789 | 0.56 |
| 10,001 - 100,000 | 112 | 3,360,989 | 2.79 |
| 100,001 and over | 51 | 114,846,598 | 95.26 |
| **TOTAL** | **1,568** | **120,554,418** | **100.00** |

All issued ordinary shares carry one vote per share and carry the right to dividends. The number of holders holding a less than marketable parcel of ordinary shares based on the market price as at 31 July 2017 was 96 holders holding 3,914 shares.

## (b) Twenty largest holders of quoted equity securities

The names of the 20 largest registered holders of quoted shares are:

| ORDINARY SHAREHOLDERS | Number of shares | % |
|---|---|---|
| SINTACK PTY LTD | 21,740,016 | 18.03 |
| Q H TOURS LTD | 21,223,454 | 17.60 |
| THE BURNES GROUP PTY LTD | 18,480,105 | 15.33 |
| MR ANDREW JAMES BURNES | 12,828,654 | 10.64 |
| MRS CINZIA BURNES | 12,638,014 | 10.48 |
| CITICORP NOMINEES PTY LIMITED | 9,580,308 | 7.95 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 3,108,379 | 2.58 |
| NATIONAL NOMINEES LIMITED | 2,964,408 | 2.46 |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 1,958,809 | 1.62 |
| BNP PARIBAS NOMS PTY LTD | 1,286,525 | 1.07 |
| CITICORP NOMINEES PTY LIMITED – COLONIAL FIRST STATE INV A/C | 1,044,906 | 0.87 |
| BNP PARIBAS NOMINEES PTY LTD | 673,186 | 0.56 |
| MICHAEL BURNETT | 500,000 | 0.41 |
| HERITAGE CARE PTY LTD | 370,700 | 0.31 |
| MR RUSSELL CARSTENSEN | 334,246 | 0.28 |
| MR BRETT WILLIAM FISHER PATON + MRS VICKI ANNE PATON | 252,464 | 0.21 |
| CROWNACE PTY LTD | 250,000 | 0.21 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 234,309 | 0.19 |
| MAPLESTONE PTY LTD | 226,597 | 0.19 |
| THE HONOURABLE JOSEPH BENEDICT HOCKEY | 215,784 | 0.18 |
| | **109,910,864** | **91.17** |

## (c) Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

| SUBSTANTIAL SHAREHOLDER | Number of shares | % |
|---|---|---|
| SINTACK PTY LTD | 22,068,997 | 18.36 |
| Q H TOURS LTD | 21,223,454 | 17.60 |
| THE BURNES GROUP PTY LTD | 18,490,105 | 15.34 |
| MR ANDREW JAMES BURNES | 12,858,058 | 10.67 |
| MRS CINZIA BURNES | 12,638,014 | 10.48 |

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**ABN:** 60 091 214 998 **ASX CODE:** HLO