For personal use only

2018 Annual Report

11 October 2018

Helloworld Travel Limited (HLO) has today dispatched to shareholders the Helloworld Travel Limited 2018 Annual Report. The Annual Report is attached.

The 2018 Annual Report is also available on the company's corporate website (www.helloworldlimited.com.au).

-ENDS-

About Helloworld Travel Limited

- Helloworld Travel Limited (ASX: HLO) is a leading Australian & New Zealand travel distribution company, comprising retail travel networks, destination management services (inbound), air ticket consolidation, wholesale travel services, corporate travel management services and online operations.
- HLO has over 2000 staff located in Australia, New Zealand, Fiji, the USA, Asia, India and UK/Europe and over 2300 members of its travel agency networks in Australia and New Zealand.
- Helloworld Travel is the proud naming rights partner of Volleyball Australia and the *Helloworld Travel Volleyroos* men's and women's national teams.

MEDIA CONTACT:
Trudi Sheppard |Director of Communications |trudi.sheppard@helloworld.com.au | 03 9867 9600

INVESTOR CONTACT:
Michael Burnett |Chief Financial Officer |Helloworld Travel Limited |03 9867 9600

helloworld
TRAVEL LIMITED

For personal use only





ANNUAL REPORT





2018











Helloworld Travel Limited and Controlled Entities
Annual Report for the year ended 30 June 2018



















For personal use

helloworld
TRAVEL LIMITED

ANNUAL REPORT 2018










CONTENTS

Corporate Information	2
Glossary	3
Chairman's Report	4
Chief Executive Officer's Report	6
Financial Performance Summary	9
Directors' Report	10
Auditor's Independence Declaration	45
Corporate Governance Statement	46
Consolidated Statement of Profit or Loss and Other Comprehensive Income	54
Consolidated Statement of Financial Position	55
Consolidated Statement of Changes in Equity	56
Consolidated Statement of Cash Flows	57
Notes to the Financial Statements	58
Directors' Declaration	129
Independent Auditor's Report	130
ASX Additional Information	137



For personal use only

CORPORATE INFORMATION

Directors

Garry Hounsell (Chairman)
Andrew Burnes (Chief Executive Officer)
Cinzia Burnes
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



For personal use only

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 its controlled entities
Asia Escape Holidays	Keygate Holidays Pty Ltd
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
Flight Systems	Flight Systems Pty Ltd and its controlled entities
FY17	Financial Year ended 30 June 2017
FY18	Financial Year ended 30 June 2018
FY19	Financial Year ended 30 June 2019
Group	The Helloworld Travel Group, comprising Helloworld Travel Limited and its controlled entities
Helloworld Travel	Helloworld Travel Limited
KMP	Key Management Personnel
LTIP	Long Term Incentive Plan
Magellan	Magellan Travel Group
MTA	Mobile Travel Holdings Pty Limited and its controlled entities
Qantas	Qantas Airways Limited
QBT	QBT Pty Limited
QH	Qantas Holidays Limited
STIP	Short Term Incentive Plan
TTV	Total Transaction Value

CHAIRMAN'S REPORT

For personal use only



"On behalf of the Board of Directors I am very pleased to be presenting this report as Chairman of Helloworld Travel Limited."

It has been a year of strong business performance for Helloworld Travel Limited, building on the momentum achieved over the last two years.

As Chairman of Helloworld Travel, I am very pleased to report that the success and development we have been building in the business has continued over the last financial year, including the increased focus on brand recognition, the acquisition of new businesses, improved remuneration model for our agents, changes to our brand and marketing strategy and our ongoing strong focus on developing and delivering enhanced technologies across our business divisions. All these have either met or exceeded the boards' expectations.

In May 2018, I attended the Helloworld Travel Owner Managers Conference in Adelaide, South Australia. I spoke directly to our agents and confirmed that the changes we are making as a business are delivering positive results which flow directly to the bottom line of our agency members and these changes are playing a significant role in the strength, sustainability and success we see across all our networks in Australia and New Zealand.

We have also completed a number of significant acquisitions across the year. These have contributed to our successful year including the Magellan Travel Group, Flight Systems Pty Ltd and Asia Escape Holidays.

For personal use only

Consolidating and building on strength in 2017/18

For the year ended 30 June 2018, Helloworld Travel Limited has delivered a second successive year of strong profitability growth reporting profit before income tax of $46.2 million an increase on the year prior of $15.2 million, or 48.9%.

Our EBITDA of $65.2 million represents an increase of 18.2% or $10.0 million over the prior year while our TTV also increased again year on year by 3.5% rising to $6.1 billion for the year ended 30 June 2018.

Net profit after tax for the year was $32.0 million, a 48.1% or $10.4 million increase on the prior year.

Revenue levels were maintained across our business units through increased volume and improved contracting outcomes, despite challenging conditions related to the impact of lower airfares.

Basic earnings of 27.1 cents per share were achieved this financial year, representing an increase of 8.3 cents per share or 44.1% compared with the prior year and our final dividend declared of 11.0 cents per share fully franked, brought the total dividends for the year ending 30 June 2018 to 18.0 cents per share, an increase of 28.6% compared with the prior year. This is the third consecutive year we have returned a dividend to shareholders.

Throughout the year management continued to focus on our costs. Total operating costs for the year were $263.2 million a decline of $9.4 million or 3.4%.

Further details of the financial performance of the Group are included in the Operating and Financial Review on pages 16 to 31.

Looking ahead

We are in a very strong position to continue our successful business performance and also to carry on the momentum in growing and developing our business in Australia, New Zealand and around the world.

On behalf of the Board I would like to acknowledge Andrew Burnes as Chief Executive Officer and Managing Director of Helloworld Travel Limited, together with the Executive Leadership Team and Senior Management Team on their development and delivery of the strategies that are now resulting in consistent and sustainable results across the business.

I would also like to acknowledge and thank my fellow board members for their contribution and commitment to the company, both over the past year and also going forward.

I am delighted to be part of this vibrant travel industry and, as the Chairman of this company, which is going from strength to strength, I am looking forward to continuing to work towards the future successes that Helloworld Travel Limited has ahead.



Garry Hounsell

Chairman
Helloworld Travel Limited
Melbourne, 21 August 2018

CHIEF EXECUTIVE OFFICER'S REPORT

For personal use only



"I am delighted to present this report and our results for the year ended 30 June 2018 as CEO and Managing Director of Helloworld Travel Limited."

A year of continued development and success

Results

Helloworld Travel Limited performed very strongly in FY18 delivering on key business and financial initiatives with significant improvement in our key indicators including net profit after tax, EBITDA and costs compared with the prior year.

Total Transactional Value (TTV) increased to $6.1 billion, up 3.5% or $204.7 million on the prior year. The increase was despite lower international airfares (6.6% down on prior year in Australia) offset by strong growth in international and domestic ticketing volumes (up 4.6% on prior year in Australia) and improved contracting outcomes across the Group.

Our full year EBITDA is $65.2 million, an increase of $10.0 million compared with the prior year, up 18.2%. Net profit after tax also increased to $32.0 million, up 48.1% and $10.4 million year on year from FY17.

Earnings per share for FY18 was 27.1 cents, up from 18.8 cents in FY17 (up 44.1 %), enabling us to declare a final dividend of 11.0 cents per share to our shareholders. This brings our total dividends in FY18 to 18.0 cents per share, fully franked. This is the third consecutive year we have declared a dividend payment since FY16, which was the first dividend payment since 2013.

All segments across Australia, New Zealand and Rest of World (ROW) have reported strong growth in EBITDA compared with the prior year and our EBITDA margin as a percentage of revenue continues to improve across all segments as the Group benefits from its focus on profitable revenue streams and improved productivity.

Operating costs were significantly lower than the prior year reflecting the Group's continued focus on efficiencies and delivering on our cost reduction initiatives.

For personal use only

Investments

We have made a number of strategic acquisitions in this financial year, including; the Magellan Travel Group, an Australian independent agency network with over 120 members; Flight Systems, a provider of web-based flight booking technologies; and Asia Escape Holidays, an outbound travel wholesaler specialising in destinations throughout Asia.

Our acquisitions complement the Group's existing businesses, expanding future product offerings and technology solutions to an increased network of agents, suppliers and customers.

Technology developments

Helloworld Travel is continuing to focus on our technology offerings and are increasing our investment in technology developments across the business including key upgrades to our hotel platforms, our retail agency platforms, our inbound systems and our corporate and ticketing solutions.

In the retail leisure and retail corporate division, this includes the introduction of tailored microsites and apps for all our agents across our branded, associate, business travel and Magellan networks. The recent purchase of the Flight Systems website technology has enhanced our technology offering as we strive to drive increased productivity for our agents and our internal business units.

Specifically in our Travel Management Corporate businesses, we are investing in delivering new cutting edge tools for our corporate customers including the deployment of Cytric in partnership with Amadeus.

And finally in our Air Tickets business we are finalising the upgrade of our Cats+ mid-office system and expanding the deployment of our ticketing technologies.

Our level of investment in new and complimentary technologies is running at approximately $16 million per annum and we regard this on-going investment as critical as we seek to improve our service offerings and drive our productivity.

Brand

We successfully completed the brand refresh from Helloworld to Helloworld Travel in Australia resulting in a new logo and associated marketing initiatives being effectively rolled out across the Australian network during FY18. During FY19, we will also roll out the brand refresh across our New Zealand branded network.

We have made significant investment in more focused consumer marketing and advertising to strategically improve Helloworld Travel's brand presence. The strategy has proved successful with prompted and unprompted consumer brand awareness for the Helloworld Travel brand growing significantly and our partnerships with News Corporation and Channel 9 over the next 3 years will help grow our brand recognition further.

Our retail networks have grown to 2,223 members across Australia and New Zealand as at 30 June 2018, this represents an increase of 208 members since 30 June 2017. The increase in members was led by growth in our Helloworld Travel branded members, growth in home based agent network MTA, the expansion of the My Travel Group and the acquisition of the Magellan Travel Group.

Awards

The Helloworld Travel Limited Group was again recognised at the 2018 Australian Federation of Travel Agents (AFTA) National Travel Industry Awards (NTIA) in Sydney. Our agents, businesses and brands took home 11 awards including Best Non-Branded Travel Agency Group for Helloworld Business Travel, Best Domestic Wholesaler for Qantas Holidays & Viva Holidays, Air Tickets for Best Agency Support Services and MTA for Best Travel Broker Network. We were also recognised with 7 awards within our member networks. Overall Helloworld Travel Limited group members were recognised with 46 finalists across 22 categories, a terrific achievement.

In New Zealand the Group was awarded Best Brand Retail Multi Location at the 2017 Travel Agents Association of New Zealand (TAANZ) Awards presented in September 2017 and our NZ wholesale brand GO Holidays was awarded 'Best Wholesaler' award for the fourth consecutive year.

For personal use only

Dividend

The Board has resolved that the company will pay a final dividend of 11.0 cents per share. The dividend is to be paid on 18th September 2018 and brings the total dividends declared, fully franked, for the current financial year to 18.0 cents per share compared with 14.0 cents per share in the prior year.

Outlook

The outlook for Helloworld Travel Limited is very positive. As a Group we remain focused on growing our TTV at profitable margins while carefully controlling our costs.

In FY19 and beyond we will continue to expand our travel product and service offerings through strategic acquisitions and increased investment in enhanced technology solutions.

We remain focused on delivering for our shareholders, our travel agents, our supplier partners and most importantly all of our customers with investment in our brands, technologies and people, to provide enhanced outcomes across our distribution platforms.

Our solid foundation for sustainable long term growth has now been established and we expect to improve on our current financial year performance in the years ahead.

We are committed to the long-term future of travel agents and our experience is that travellers continue to value our agents as their trusted travel professional. This relationship is vital for our continuing success. The ongoing focus of our business is to empower our agents and members with marketing support, commercial partner deals, training and technology to provide professional travel services and advice to their clients, resulting in profitable businesses.

Our wholesale and corporate businesses also focus on providing professional, valued and personal service.

While a high percentage of these transactions are undertaken using our online digital tools and platforms, all bookings are supported by our 24/7 personal service.

Across all our divisions we provide a personal service that makes us the trusted advisor for our clients and our members' customers. This is our commitment and our offering that we know we deliver on.

I would like to acknowledge and thank the many people involved in our company across our global offices, our agent networks, our shareholders, all of our 2000 plus staff, our many suppliers, partners and supporters who are integral to our success. Without the dedication and commitment of all of our stakeholders we would not be able to achieve this success.

The future is very promising for Helloworld Travel Limited and I am looking forward to continuing the journey of success for the business in the years ahead.



Andrew Burnes

Chief Executive Officer and Managing Director
Helloworld Travel Limited
Melbourne, 21 August 2018

For personal use only

FINANCIAL PERFORMANCE SUMMARY

FOR THE YEAR ENDED 30 JUNE 2018

Summary Group Results

	For the year ended 30 June 2018 $'000	For the year ended 30 June 2017 $'000	Change $'000	Change %
Total transaction value (TTV) [1]	6,077,040	5,872,329	204,711	3.5%
Revenue	326,874	326,833	41	0.0%
EBITDA [2]	65,216	55,179	10,037	18.2%
Profit before income tax expense	46,207	31,037	15,170	48.9%
Profit after income tax expense	31,969	21,591	10,378	48.1%
Profit after income tax expense attributable to owners	31,918	21,510	10,408	48.4%

	For the year ended 30 June 2018 Cents	For the year ended 30 June 2017 Cents	Change Cents	Change %
Basic earnings per share	27.1	18.8	8.3	44.1%
Diluted earnings per share	26.9	18.7	8.2	43.9%
Interim dividend per share	7.0	6.0	1.0	16.7%
Final dividend per share	11.0	8.0	3.0	37.5%

RECONCILIATION OF EBITDA TO PROFIT BEFORE INCOME TAX	For the year ended 30 June 2018 $'000	For the year ended 30 June 2017 $'000	Change $'000	Change %
EBITDA [2]	65,216	55,179	10,037	18.2%
Depreciation and amortisation expense	(17,320)	(21,076)	3,756	17.8%
Finance expense	(1,689)	(3,066)	1,377	44.9%
Profit before income tax expense	46,207	31,037	15,170	48.9%

1 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 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 11.0 cents per share for the 2018 financial year. This results in total dividends declared of 18.0 cents per share for the 2018 financial year, compared with 14.0 cents per share for the 2017 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 2018 and any public announcements made by the Company since that time.

For personal use only

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 2018 and the Independent Auditor's Report.

Directors

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



Garry Hounsell B Bus, FAICD, FCA

Non-Executive Director and Chairman

Appointment

Mr Hounsell was appointed to the Board and as Chairman from 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 Chartered Accountants in Australia and New Zealand.

Other current directorships of listed entities:
- Myer Holdings Limited (since September 2017), Chairman (November 2017 to February 2018 and from 4 June 2018), Executive Chairman (February 2018 to 4 June 2018).
- Treasury Wine Estates Limited (since 2012).

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).
- Spotless Group Holdings Limited (2014 to 2017) and Chairman (2017).
- Dulux Group Limited (2010 to 2017).

Special Responsibilities:
- Chairman of the Board.
- Chairman of the Remuneration Committee and Nominations & Governance Committee.
- Member of the Audit & Risk Committee.

Interests in Shares:
- A legal and beneficial interest in 78,500 fully paid ordinary shares.

For personal use only



Andrew Burnes LLB, B Com (Melb)

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). After the merger of AOT and Helloworld in January 2016, he was appointed Chief Executive Officer 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 12,899,381 fully paid ordinary shares.
- In conjunction with Mrs Burnes a further 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.

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 further beneficial interest in 18,490,105 fully paid ordinary shares.

For personal use only



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 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.

Current directorships of listed entities:

- Alumina Limited (5 February 2014 to 31 May 2017), CEO and Managing Director (from 1 June 2017)

Former directorships of listed entities in the last 3 years:

- Nil

Special Responsibilities:

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

Interests in Shares:

- A beneficial interest in 9,569 fully paid ordinary shares.



Andrew Finch B Com, LLB (UNSW), LLM (Hons 1 USyd), MBA (Exec) AGSM)

Non-Executive Director

Appointment

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

Experience and Expertise

Mr Finch is General Counsel and Group Executive, Office of the CEO 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, Remuneration Committee and Nominations & Governance Committee.

Interests in Shares:

- Nil

For personal use only



Michael Burnett BCom (Melb), CA

Chief Financial Officer and Group Company Secretary

Mr Burnett joined Helloworld Travel Limited as the Chief Financial Officer and Group Company Secretary in April 2016. Prior to this he was with the Transurban Group where he had been their Chief Financial Officer in North America since August 2013 and the Group's General Manager of Finance from 2007.

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.

Peter Spathis FCPA

Former Non-Executive Director

Mr Spathis served as a Non-Executive Director from May 2015 and did not stand for re-election at the company's 2017 Annual General Meeting held on 16 November 2017. He previously served as a director from June 2002 to November 2012.

For personal use only

Directors' meetings

During the year, 8 meetings of the Board, 4 meetings of the Audit & Risk Committee, 3 meetings of the Remuneration Committee and 2 meetings of the Nominations & Governance Committee were held.

Attendance at Board and Board Committee Meetings during FY18 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	8	8	2	2	3	3	2	2
Andrew Burnes	8	8	4	4	2	2	2	2
Cinzia Burnes	8	8	1	1	1	1	2	2
Mike Ferraro	8	6	4	4	3	3	2	2
Andrew Finch	8	8	4	4	3	3	2	2
Peter Spathis	3	2	2	1	2	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)

Andrew Finch

Peter Spathis (until 16 November 2017)

Garry Hounsell (from 16 November 2017)

Remuneration Committee

Garry Hounsell (Chairman)

Andrew Finch

Mike Ferraro (from 16 November 2017)

Peter Spathis (until 16 November 2017)

Nominations & Governance Committee

Garry Hounsell (Chairman)

Peter Spathis (until 16 November 2017)

Andrew Burnes

Cinzia Burnes

Mike Ferraro

Andrew Finch

Retirement in office of Directors

In accordance with the Company's Constitution and the ASX Listing Rules, Mr Garry Hounsell and Mrs Cinzia Burnes, being the longest serving directors are retiring by rotation and, being eligible, offer themselves for re-election at the 2018 AGM.

For personal use only

Dividends

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

Type	Cents per share	Dividend amount $m
Final 2017 dividend, distributed on 20 September 2017	8.0	9.7
Interim 2018 dividend, distributed on 9 March 2018	7.0	8.5
Total dividends distributed during the current year	**15.0**	**18.2**

On the 21 August 2018, Helloworld Travel declared a fully franked final dividend of 11.0 cents per share, which is expected to amount to $13.7 million based on the closing number of shares issued as at 30 June 2018. This brings the total dividends declared in relation to the year ended 30 June 2018 to 18.0 cents per share.

The final dividend for the year ended 30 June 2018 will be paid during the 2019 financial year out of 30 June 2018 current year profits, but is not recognised as a liability at year end.

Further details on dividends during the year ended 30 June 2018 is set out in note 7 to the financial statements.

Earnings per share

Basic earnings per share was 27.1c (2017: 18.8c)
Diluted earnings per share was 26.9c (2017: 18.7c)

The increase in basic earnings per share reflects the strong net profit after tax performance in the current year. This has been achieved by growing TTV and reducing the business cost base, delivering on key performance initiatives and growing the business through strategic acquisitions.

During the 2018 financial year Helloworld Travel issued shares under the franchise loyalty bonus program and also issued shares under the LTIP 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. The franchise loyalty shares are included in the calculation of diluted earnings per share.

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 retail distribution networks of travel agents.

Helloworld Travel is a leading Australian and New Zealand travel distribution company comprising retail distribution 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 distribution operations include Helloworld Branded, Australia's largest network of branded franchised travel agents, in addition to Helloworld Associate, Helloworld Business Travel, the My Travel Group and Mobile Travel Agent (MTA) networks. During the current year, Helloworld Travel introduced a sixth retail distribution network through its acquisition of the Magellan Travel Group.

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



For personal use only

OPERATING AND FINANCIAL REVIEW

Summary of results

	FY18 $000's	FY17 $000's	Change $000's	Change %
Total Transaction Value (TTV)	**6,077,040**	**5,872,329**	**204,711**	**3.5%**
Revenue	**326,874**	**326,833**	**41**	**0.0%**
Operating expenses	(263,167)	(272,513)	9,346	3.4%
Equity accounted profits	1,509	859	650	75.7%
EBITDA	**65,216**	**55,179**	**10,037**	**18.2%**
Depreciation and amortisation expense	(17,320)	(21,076)	3,756	17.8%
Finance expense	(1,689)	(3,066)	1,377	44.9%
Profit before income tax expense	**46,207**	**31,037**	**15,170**	**48.9%**
Profit after income tax expense	**31,969**	**21,591**	**10,378**	**48.1%**
Profit after tax attributable to members	31,918	21,510	10,408	48.4%
Revenue margin %	**5.4%**	**5.6%**	**(0.2%)**	**(3.6%)**
EBITDA margin %	**20.0%**	**16.9%**	**3.1%**	**18.3%**

	FY18 Cents	FY17 Cents	Change Cents	Change %
Basic earnings per share	**27.1**	**18.8**	**8.3**	**44.1%**
Diluted earnings per share	**26.9**	**18.7**	**8.2**	**43.9%**
Interim dividend per share	7.0	6.0	1.0	16.7%
Final dividend per share	11.0	8.0	3.0	37.5%
Total dividends per share	**18.0**	**14.0**	**4.0**	**28.6%**

The Board assesses the performance of the group and its segments based on several measures including TTV, revenue, EBITDA, profit before tax and associated key ratios.

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.



For personal use only

YEAR IN REVIEW

Overview of results

Helloworld Travel has delivered a second successive year of strong profitability growth with EBITDA of $65.2 million, an increase of $10.0 million or 18.2% compared with the prior year. EBITDA margin has continued to improve to 20.0%, an increase of 3.1% compared with the prior year. This has been led by the focus on profitable revenue streams and realisation of cost reduction benefits, supported by enhanced technology solutions and business process efficiencies. Profit before tax was $46.2 million, an increase of $15.2 million or 48.9%, and a profit after tax of $32.0 million, an increase of $10.4 million or 48.1%.

Helloworld Travel grew TTV by 3.5% to $6,077.0 million driven primarily by strong air ticket transaction volume growth and the addition of the Magellan Travel Group acquired in March 2018. These increases were partially offset by the continued decline of international airfares in the industry. Revenue of $326.9 million was consistent with the prior year despite the prior year including revenue from the disposed air representation business, disposed company owned stores and the restructured Insider Journeys business. The Group's revenue benefited from the recent acquisitions of the Magellan Travel Group, Flight Systems and Asia Escape Holidays. Excluding acquisitions and disposals, revenue increased by $1.6 million or 0.5% reflecting the improved contracting outcomes across air, land, cruise and ancillary products.

Revenue margin was 5.4%, a decrease of 0.2% reflecting the continued change in product mix with TTV growth coming from lower margin air, cruise and corporate sales. Margins in each area of the business continue to benefit from improved contracting outcomes.

Operating costs were well below the prior year across all segments. The lower operating costs reflect the Group's continued focus on cost reduction to right size the cost base and reduced costs from disposed operations. The lower costs were partially offset by the inclusion of the cost base from our recent business acquisitions and associated one off acquisition costs incurred of $1.0 million.

From a segment perspective, the Australian segment EBITDA was up 15.2% to $58.0 million; the New Zealand segment EBITDA was up 10.3% to $6.9 million; and the Rest of World segment EBITDA improved by $1.7m to $0.4 million. A detailed review of the segment operational results is on pages 21 to 27.

Depreciation and amortisation expense decreased by $3.8 million to $17.3 million, reflecting the focus on capital spend and numerous assets being fully depreciated or amortised in prior years.

Finance expense decreased by 44.9% to $1.7 million, reflecting the full year benefit of entering into a 5 year facility with the Westpac Banking Corporation in May 2017 on more attractive terms, delivering cost savings to the business. The decrease in finance expense from the improved debt facility arrangements was partially offset by the increased level of debt to fund the business acquisitions in the second half of FY18.



For personal use only

For personal use only

Shareholder returns

The Group's strong business performance has delivered an earnings per share of 27.1 cents compared with 18.8 cents in the prior year. Diluted earnings per share was 26.9 cents compared with 18.7 cents in the prior year. The diluted earnings per share include those shares granted under 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 11.0 cents per share for the year ended 30 June 2018, payable in September 2018. This brings total dividends declared or proposed to 18.0 cents per share, an increase of 4.0 cents per share or 28.6% from the prior year. The total dividends declared of 18.0 cents per share represents an expected dividend cash distribution of $22.2 million, equating to a dividend payout ratio of 69.5% for the year ended 30 June 2018.

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 considering potential future business acquisition opportunities, balancing the needs of shareholders, creditors and external market confidence.

Acquisitions and disposals

Helloworld Travel has made a number of business acquisitions during the current year. The acquisitions undertaken have met the strategic and financial objectives established by the Board of Directors. These acquisitions complement the Group's existing businesses, expanding future product offerings leading to an increased network of agents, suppliers and customers. The full year benefit of these acquisitions will be reflected in FY19 and will deliver increased financial shareholder returns in future financial years.

Acquisition of controlled entities

The acquisitions and disposals have been outlined below:

On 1 March 2018, Helloworld Travel acquired the Magellan Travel Group (Magellan) for a total consideration of $32.5 million which was funded by a mixture of cash and shares. Magellan is one of Australia's leading independent travel agent groups with over 120 members. The Group expects the additional scale and operating leverage to bring increased economies of scale. The Magellan network is now the sixth retail network of Helloworld Travel and will enable Helloworld Travel to consolidate its position in the retail and corporate travel agency sector, whilst leveraging ongoing technology developments and supplier relationships.

Go Conference and Incentives (C&I) is a New Zealand business operation that arranges and escorts travel for large groups, conferences, incentive travel and events. On 1 April 2018, Helloworld Travel purchased the 50% beneficial share held by a former partner over the C&I business, thereby owning 100% of the business, title and future profits. The purchase price of $1.2 million consists of $0.7 million cash and a deferred payment of $0.5 million payable in FY19.

On 16 April 2018, Helloworld Travel completed its acquisition of Flight Systems Pty Ltd and its controlled entities (Flight Systems) for a total consideration of $1.4 million, funded by cash. Flight Systems is a provider of web-based flight booking technologies and operator of the Skiddoo website. The acquisition is expected to strengthen Helloworld Travel's business technology suite in the corporate and leisure operations.

On 31 May 2018, Helloworld Travel completed its acquisition of a 60% controlling stake in Asia Escape Holidays, an outbound travel wholesaler based in Perth specialising in destinations throughout Asia, the Indian Ocean and the Pacific. The total consideration amounted to $5.4 million, comprising $2.9 million initial consideration funded by a mixture of cash and shares and $2.5 million contingent deferred consideration based on the achievement of FY19 objectives. The acquisition is expected to complement the existing Helloworld Travel wholesale range and provides the Group with the ability to offer a greater range of mid-haul all-inclusive packages.

These acquisitions have been reflected in the Group's current year consolidated income statement from their acquisition date, until 30 June 2018.

Acquisition of minority interest shareholdings

During the current year, Helloworld Travel has established a minority interest shareholding in the following businesses:

On 31 August 2017, the Group acquired a minority shareholding in the Newcastle based Hunter Travel Group (HTG) and at the same time Helloworld Travel agreed to sell a 75% stake in Helloworld Travel's remaining seven wholly owned company stores in Australia. The transaction strengthens the partnership between Helloworld Travel and HTG, the Group's largest multi-franchise operator.

For personal use only



On 31 August 2017, the Group purchased a minority shareholding in Queensland based company, Cooney Investments Pty Ltd, which operates branded network members Helloworld Travel Mackay and Helloworld Travel Mt Pleasant and the very successful Hosted Journeys Group Travel and Events products.

On 19 January 2018, a joint venture company between Helloworld Travel (via QBT) and In Travel, an indigenous Travel Management Company was established. The joint venture company is called Inspire Travel Management Pty Ltd, an incorporated company with ownership interest of 60% In Travel and 40% Helloworld Travel. This venture provides a platform that enables Helloworld Travel to showcase industry best practice in the areas of indigenous employment and procurement outcomes.

These investments are recorded under the equity accounting method and the share of profit is recorded as equity accounted profits in the consolidated statement of profit or loss.

Disposals of businesses

On 19 April 2018, Helloworld Travel sold its 33% investment in Down Under Answers LLC, a USA based entity. The consideration amounted to $1.6 million and the net carrying value was $1.5 million, resulting in a profit on sale of investment of $0.1 million. The sale is a strategic step in the ongoing process of streamlining the group and disposing of non-core investments. As part of this transaction, Down Under Answers LLC has signed a three year exclusive trading arrangement with the Group's inbound business, resulting in Helloworld Travel continuing to provide Down Under Answers with product and services in both Australia and New Zealand.

helloworldlimited.com.au

In addition, Helloworld Travel continues to dispose of its fully owned company stores and at year end only has two remaining. The last seven company owned stores in Australia were disposed in August 2017 as part of the minority shareholding transaction in HTG. In New Zealand, we commenced the current financial year with six company owned stores and have two remaining company owned stores as at 30 June 2018.

Network growth

Helloworld Travel's retail network has grown to 2,223 members across Australia and New Zealand, an increase of 208 since 30 June 2017, led by the:

- expansion of the My Travel Group network through continued improvement in value proposition and support network;
- growth in the Helloworld branded footprint in New Zealand, reflecting increased brand support and brand awareness;
- growth in home based agents in Australia via the MTA network; and
- introduction of new sixth retail network in Australia via the acquisition of Magellan Travel.

In May 2018, Helloworld Travel renewed the Collective Purchasing Agreement with the Travellers Choice agency group for a five year term to 30 June 2023, further consolidating the Group's buying power. Under the new agreement, Travellers Choice, with 145 outlets across Australia, has access to the commercial supply arrangements of Helloworld Travel and will purchase the bulk of its travel products through these agreements. In addition, Helloworld Travel and Travellers Choice also renewed their 5 year agreement to use the Group's ticket consolidation business, Air Tickets.

For personal use only

In April 2017, the Group rebranded from Helloworld to Helloworld Travel resulting in a new logo and associated marketing initiatives being successfully rolled out across the network during FY18. Helloworld Travel continues to make significant investment in consumer marketing, advertising and sponsorship to strategically accelerate Helloworld Travel's brand presence. The strategy has proved successful with prompted and unprompted consumer brand awareness for the Helloworld Travel brand growing significantly.

Investment in technology

Helloworld Travel continues to invest in developing technological initiatives to expand the system capabilities across the business. In FY18, these developments included the upgrade of wholesale agent platform ReadyRooms, development of corporate customer portal ReadyRooms for Business, the ongoing rapid enhancement of retail consultant interface Resworld agency portal, development of Air Tickets Shop & Book technology and the acquisition of web-based flight booking technologies provider Flight Systems. 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.

Liquidity and funding

As at 30 June 2018, the Group held a cash balance of $203.5 million (30 June 2017: $198.1 million) comprised of general cash of $42.0 million (30 June 2017: $34.7 million) and client cash of $161.5 million (30 June 2017: $163.3 million). As at 30 June 2018, the Group has external borrowings of $41.5 million (30 June 2017: $20.4 million) with available headroom on its debt facilities of $7.8 million (30 June 2017: $28.4 million).

The level of external borrowings has increased in the current year by $21.1million to $41.5 million as at 30 June 2018 as a result of the acquisitions undertaken during the year. The overall level of debt held by Helloworld Travel remains low compared with the cash balance, total assets and market capitalisation of the Group, resulting in a strong balance sheet.

Helloworld Travel has generated strong operating cash flows from trading activity of $41.3 million, an increase of $12.3 million compared with the prior year led by growth in trading performance. The capital expenditure (excluding investments) amounted to $17.7 million, an increase of $7.2 million compared with the prior year, led by the rebranding to Helloworld Travel across the network and focussed internal development on technology solutions. Capital expenditure continues to be tightly controlled and is subject to significant due diligence before the expenditure is undertaken. Free cash flow, representing reported operating cash flow less capital expenditure, of $23.6 million (30 June 2017: $18.5 million) generated in FY18, enabled the Group to invest in the future and pay dividends to shareholders.

Helloworld Travel continues to manage a strong balance sheet and increasing operating cash flows, supported by secured long term debt facilities. As a result, Helloworld Travel is well placed for future long term sustainable growth.

Segment review

Helloworld Travel operates segments based on the geographical location of where the businesses are managed.

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

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

The Board assesses the performance of the segments based on several measures including TTV, revenue, EBITDA, 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.

For personal use only

Australia Segment

	FY18 $000's	FY17 $000's	Change $000's	Change %
Total Transaction Value (TTV)	5,078,479	4,908,825	169,654	3.5%
Revenue	250,774	244,003	6,771	2.8%
Operating expenses	(194,311)	(194,550)	239	0.1%
Equity accounted profits	1,509	859	650	75.7%
EBITDA	57,972	50,312	7,660	15.2%
Revenue margin	4.9%	5.0%	(0.1%)	(2.0%)
EBITDA margin	23.1%	20.6%	2.5%	12.1%

The Australia segment has retail distribution 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 service functions.

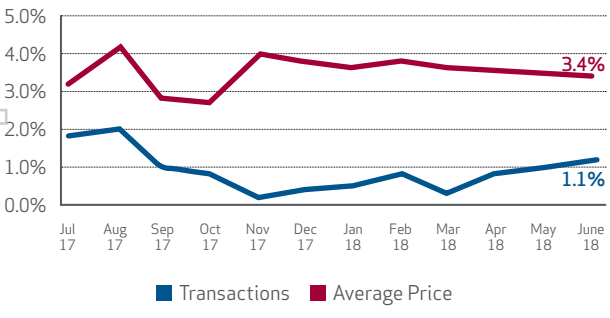
Retail

In Australia, the Group has a range of retail operations. The operations acts as a franchisor for multiple award winning retail travel agency networks, including Helloworld Travel Branded, Helloworld Travel Associate and Helloworld Business Travel. The retail distribution operations also include the membership groups of My Travel Group, an independent network model of stores, a 50% holding in MTA representing the specialist travel brokers and the addition during the current year of the sixth retail network from the acquisition of Magellan corporate and leisure agents.

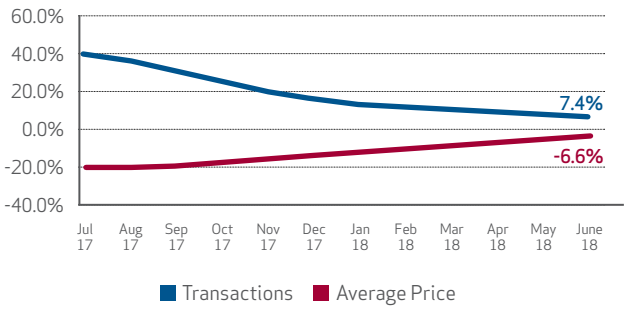
The retail division also contains an online channel of helloworld.com.au and the current year acquisition of Flight Systems, enabling the distribution of travel products through Helloworld Travel's multiple distribution channels. The retail operations are underpinned by its ticketing division Air Tickets, being the distributor and ticketing services consolidator to the internal retail network and to external independent agents.

The retail distribution division achieved strong results in FY18. Despite the continued decline in international airfares, TTV was in line with prior year as the retail network has continued to grow sales volume. Airline ticketing transaction volumes continue to perform strongly with growth in FY18 of 7.4% in the international market and 1.1% in the domestic market. There was a 6.6% decline in average international airfares mainly due to lower airfares in key Asia and Europe markets in the first half of FY18, however the second half of FY18 has shown an encouraging stabilisation of airfares in the international sector as we lead into FY19.

Cumulative YoY growth variance - Domestic Fares AU



Cumulative YoY growth variance - International Fares AU



For personal use only

Helloworld Travel's air ticketing operation, Air Tickets, services both the Helloworld Travel network of agents and over 600 independent travel agents. The business has seen significant growth over the past two years. 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 is well positioned for further growth.

Helloworld Travel continued to expand its retail network, led by the strategic acquisition of Magellan in March 2018, which added over 120 high quality leisure and corporate travel agencies to the Helloworld family. The acquisition provides a boost to TTV and improves the scale of the business operations, which will in turn provide great outcomes for all stakeholders. Member numbers in Australia continue to grow organically with total of 1,854 as at 30 June 2018.

Helloworld Travel retail operations has completed the rebranding of all fully branded outlets from the old Helloworld to 'Helloworld Travel – The Travel Professionals' with a new store look. The rebrand has been a strong success with the response from members and consumers being extremely positive supported by a significant increase in consumer market awareness of the Helloworld Travel brand. The Group's recent independent research shows the new branding and refocused advertising and marketing has delivered greater brand awareness, with unprompted awareness increasing by 26% and prompted branded awareness increasing by 7% in just six months after the launch.

Advertising and marketing spend continues to be focused on unique product offerings and value propositions that generate greater financial outcomes. A key initiative for FY19 is the planned launch of a Helloworld Travel television programme in partnership with free to air Channel 9, which will showcase product offerings including a range of destinations and the Group's wholesale brands.

Wholesale & Inbound

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 over 70 countries worldwide. These businesses include AOT Inbound, ATS Pacific and Experience Tours Australia (ETA).

The Australian wholesale & inbound operations increased TTV and revenue benefiting from the expansion of product range and growth in the cruise sector driven by the successful integration of Seven Ocean Cruising and the Cruise Team businesses. Revenue margins declined slightly which was largely driven by product mix, with strong growth in the lower margin cruise sales. Operating costs were lowered significantly from improved productivity efficiencies and business synergies between the existing brands.

A key initiative of the wholesale operations was the upgrade to the Qantas Holidays accommodation portal, ReadyRooms in June 2018. The upgraded wholesale agent portal expands the product range available to agents and has a new look and enhanced functionality for consultants, which includes improved interface, improved search functionality and more flexible booking capabilities.

The wholesale business continues to expand its in-house product range. In the current year, new product lines covering the Maldives, Disney Magic, Weddings & Honeymoons and Unique Rail Journeys were introduced. In addition, the acquisition of Asia Escape Holidays in May 2018, complements Helloworld Travel's existing wholesale businesses and provides the Group with a trade focused brand that has expertise and speed to market in the key Asia Pacific region.

Inbound operations continues to perform well, growing revenue by 1.3% driven by strong demand from traditional markets including the United Kingdom, Europe and USA and increasing demand from newer markets in Asia. The growth in Inbound revenue was

For personal use only

partially offset by lower groups revenue reflecting less major events in Australia compared with the prior year. Inbound China Free Independent Traveller (FIT) platforms performed strongly in FY18 and is expected to continue to grow in FY19.

The overall Australian inbound market continues to grow. In the last 12 months total international tourists entering Australia grew by 6.0% with all key major source countries providing strong growth. As Australia's largest inbound tour operator with prominent brands including AOT Inbound, ETA and ATS Pacific, Helloworld Travel is well positioned to capitalise on this continuing key growth sector.

Corporate

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 corporate division delivered TTV growth, supported by strong transaction growth led by increased trading with corporate and government clients as well as the addition of new clients. Costs were well controlled by achieving productivity efficiencies through investment in technology and automation. The consolidation of the corporate business in Australia (QBT) and New Zealand (APX) is well advanced, ultimately resulting in a streamlined trans-Tasman corporate travel solution for customers.

In August 2017, AOT Hotels successfully re-tendered for the Whole of Australia Government contract for accommodation program management, securing the contract for a period of 3 years with further extension options. In January 2018, QBT established a joint venture, Inspire Travel Management, with the In Travel Group, which will provide a point of difference to the corporate market and highlight the best practice in the industry in the areas of Indigenous employment and procurement outcomes.

Summary

The Australia segment generated continued TTV growth for the year ended 30 June 2018 across its divisions. Revenue on a like for like basis (excluding the impact of acquisitions and disposals), increased by 2.0% and was driven by TTV growth and improved contracting outcomes. Lower average international airfares contributed to offset the benefits of strong ticket growth. Operating costs on a like for like basis (excluding the impact of acquisitions and disposals), continued to decrease with the continued business focus on cost control with significant reductions in employee and operating expenses.

The revenue margin for the year decreased by 0.1% to 4.9%. This was a result of product mix from sales growth in lower margin air, cruise and corporate sectors. This change in mix was mostly offset by improved contracting outcomes across the businesses.

Overall the segment reported an EBITDA of $58.0 million, a strong result representing growth of $7.7 million or 15.2% from the prior year. The EBITDA margin increased from 20.6% to 23.1% in FY18 across the Australian operations, evidencing the commitment to drive profitable revenue growth and right size the cost base.

Technology

The group continues to invest in technologies to build the travel tools of the future. Helloworld Travel's objective is to increase product and service offerings to enhance the travel solutions for agents, members, suppliers and customers. The acquisition of Flight Systems in April 2018 was an important strategic step in strengthening Helloworld Travel's system and distribution development capabilities. It will significantly enhance the distribution of travel products through Helloworld Travel's multiple retail and corporate channels and strengthen the business technologies to incorporate into the continued development of the ResWorld platform.

Awards

The Australia segment was well recognised at the July 2018 National Travel Industry Awards, with Helloworld Business Travel awarded the Best Non-Branded Travel Agency Group, MTA awarded Best Travel Broker Network, Qantas Holidays / Viva Holidays awarded Best Wholesaler – Australian Product and Air Tickets awarded Best Agency Support Service.

For personal use only

New Zealand Segment

	FY18 $000's	FY17 $000's	Change $000's	Change %
Total Transaction Value (TTV)	901,805	848,997	52,808	6.2%
Revenue	57,120	60,525	(3,405)	(5.6%)
Operating expenses	(50,264)	(54,307)	4,043	7.4%
EBITDA	6,856	6,218	638	10.3%
Revenue margin	6.3%	7.1%	(0.8%)	(11.3%)
EBITDA margin	12.0%	10.3%	1.7%	16.5%

The New Zealand segment has retail distribution 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 service functions.

Retail

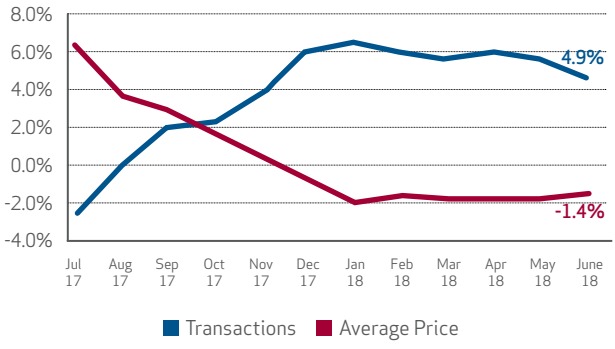
In New Zealand, the Group has a range of retail operations acting as a franchisor of retail travel agency networks including Helloworld Travel Branded and Helloworld Travel Associate. The retail distribution operations also include the membership groups of My Travel Group an independent network model of stores and The Travel Brokers network representing the specialist travel brokers. In addition, the business is supported by its ticketing division, Air Tickets, and the online channel, helloworld.co.nz.

The expansion of the Helloworld Travel retail brand in New Zealand continues with 369 members as at 30 June 2018, an increase of 69 members since 30 June 2017. The growth was led by an increase in branded stores and expansion of the My Travel Group network. This is the second consecutive year of strong growth to the retail agent network.

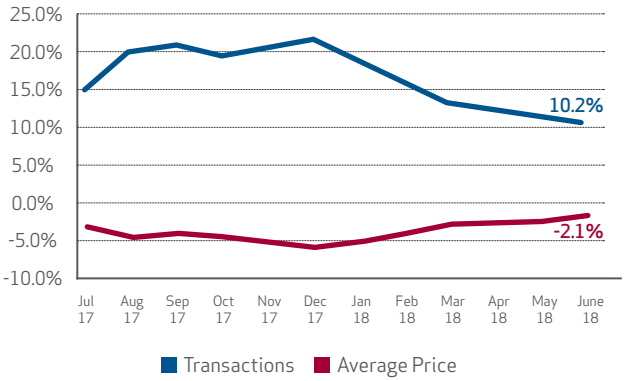
In FY19, Helloworld Travel will launch a new 'business travel' agent network and a new 'boutique luxury' branded agent network, further enhancing the value proposition in New Zealand to new and existing members. The continual enlarging of the retail network in New Zealand is testament to the improved brand recognition and service in New Zealand and is expected to add significant TTV volumes across air, wholesale and third party suppliers in future financial years.

The New Zealand market also continued to experience a decline in both domestic and international airfares of 1.4% and 2.1% respectively, which partially offset the continued growth in our air ticketing transactions in FY18 of 10.2% in the international market and 4.9% in the domestic market.

Cumulative YoY growth variance - Domestic Fares NZ



Cumulative YoY growth variance - International Fares NZ



For personal use only

Wholesale & Inbound

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 over 70 countries worldwide.

The New Zealand wholesale and inbound operations generated strong revenue growth during the year. Go Holidays was well supported by Helloworld branded members and growth from the cruise sector and Inbound operations continues to generate strong demand for New Zealand product globally. This growth has been reflected in improved revenue margins and EBITDA performance of the wholesale and inbound businesses.

Corporate

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

The APX business continues to refocus its corporate product offering in difficult trading conditions in the market led by strong competition and lower average airfares. During FY18, APX won the tender for the corporate travel business of Fonterra, however this growth was adversely impacted by the loss of key clients in the second half of FY17 including Auckland University. APX continues to invest in technologies, which are delivering enhanced travel solutions to the corporate clients and lowering the cost base with productivity and structural efficiencies. APX and QBT continue to integrate to become more efficient and provide a streamlined trans-Tasman corporate travel solution for customers.

Summary

The New Zealand segment generated TTV of $901.8 million for the year ended 30 June 2018, representing an increase of 6.2% compared with the prior year. Revenue decreased as a result of the disposal of four company stores in the retail division and reduced transaction volume in the APX business. The decrease was partially offset by growth from the wholesale and inbound operations. Operating costs decreased by 7.4% to $50.3 million due to less company owned stores and productivity efficiencies from centralisation of key functions to reduce the cost base. As a result, EBITDA grew to $6.9 million, an increase of 10.3% compared with the prior year result of $6.2 million. EBITDA margin grew to 12.0% evidencing the commitment to drive profitable revenue growth and right size the cost base.

The revenue margin for the year decreased to 6.3% from 7.1% reflecting a change in product mix with TTV growth in lower margin air and cruise business, in addition to the sale of company owned stores that had higher revenue margin, but low profitability. Ticketing volumes continue to show very strong growth, however average airfares at both domestic and international levels continued to fall in FY18.

Awards

In September 2017, at the TAANZ NTIA Awards, the New Zealand wholesale business, GO Holidays, won the award for Best Wholesale Brand for the fourth consecutive year.



For personal use only

Rest of World (ROW) Segment

	FY18 $000's	FY17 $000's	Change $000's	Change %
Total Transaction Value (TTV)	96,756	114,507	(17,751)	(15.5%)
Revenue	18,980	22,305	(3,325)	(14.9%)
Operating expenses	(18,592)	(23,656)	5,064	21.4%
EBITDA	388	(1,351)	1,739	129%
Revenue margin	19.6%	19.5%	0.1%	0.5%
EBITDA margin	2.0%	(6.1%)	8.1%	133%

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

The decline in TTV and revenue primarily reflects the full year impact of Insider Journeys refocused distribution method to the wholesale market. In addition, TTV and revenue decreased in the Fiji businesses due to cyclone activity adversely impacting Fiji visitor arrival numbers both by air and cruise ship.

The ROW segment generated EBITDA of $0.4 million, whilst small, represents a significant improvement from the prior year position of negative EBITDA of $1.4 million. This segment has focused on profitable revenue streams and right sizing of the cost base through cost reduction initiatives to ensure this small segment is profitable in future financial years.

Indochina

Insider Journeys TTV and revenue was adversely impacted by the softening of the Australian outbound market to key destinations such as Vietnam as well as increased competition with aggressive pricing and heavy discounting, placing pressure on sales and margin. However, the business recorded an improved EBITDA in the current year as it refocuses on the traditional wholesale market and lowering of cost base. In the current year, the alignment of systems for Insider Journeys with the wholesale brands was implemented, which provided increased efficiencies and the ability to more easily purchase Insider Journeys products across the network.

USA

The USA based business, Qantas Vacations continues to also realign its cost base through productivity efficiencies. It has refocused advertising and promotions teams and this continues to gain positive traction in the market.

Fiji

The Group's Fiji based business, ATS Pacific (Inbound) and TTF Fiji (Transport) performed solidly during the current year despite cyclone activity adversely impacting Fiji visitor arrival numbers both by air and cruise ship. The businesses were able to realign their cost base through productivity efficiencies to record positive EBITDA growth compared with the prior year. During the year, the Group invested in fleet upgrades, ensuring TTF Fiji maintain their position as Fiji's premier transport operator and ground handler. Both ATS Pacific and TTF Fiji are well placed to cater for future tourism growth opportunities in Fiji.





For personal use only

Outlook & economic sustainability

The Travel Industry continues to grow strongly in all segments in which the Group operates. Economic growth both domestically and globally, is expected to continue and this will have a positive effect on the travel markets in which we operate. International tourist arrivals to our markets have consistently outpaced global economic growth and all indications are that this trend will continue. The number of outbound trips is also expected to continue to grow. From a corporate travel perspective, improved economic performance and stronger business confidence will continue to drive corporate travel activity.

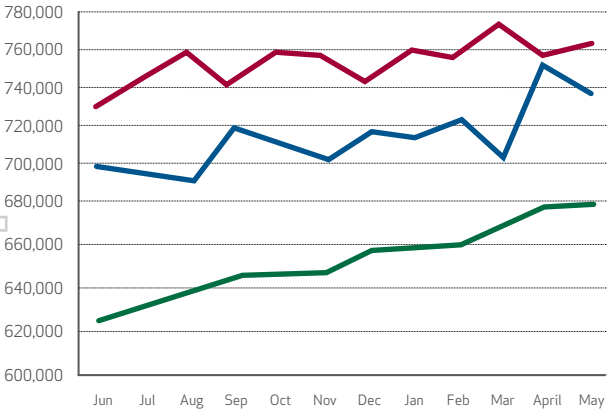
The Group's focus in the 2019 financial year will be on growing revenue and margins and extracting further efficiencies in its operations and cost base to improve key profitability margin metrics.

During the current year, Helloworld Travel has made a number of strategic acquisitions. The full year benefit of these acquisitions will be reflected in FY19 and are expected to increase shareholder returns in future financial years.

Helloworld Travel is focused on delivering for shareholders, agents, partners and consumers. Helloworld Travel's priority is to future proof our agents and the business through technology, training, product and profile supported by our omni-channel strategy.

The Company has a strong balance sheet, a stable network of high performing agents and a suite of enhanced digital solutions for our customers. As a result, Helloworld Travel is well positioned for sustainable long term growth.

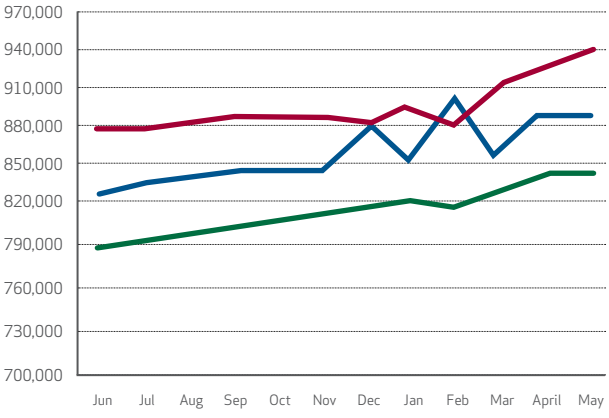
Total Inbound Tourists to Australia



Total number of tourists 2017 Total number of tourists 2018
5 year average

Source: AFTA - May 2018 Short-term Movement, Visitor Arrivals - Selected Countries of Residence: Seasonally adjusted.

Total Outbound Australian Travellers



Total number of tourists 2017 Total number of tourists 2018
5 year average

Source: AFTA - May 2018 Short-term Movement, Residents Returning - Selected Destinations: Seasonally adjusted.



For personal use only

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 we manage these risks, 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 price shocks, 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 and 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 and transforming 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 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.



For personal use only

Information technology security

A failure of or a breach of the Group's information technology systems security could result in a service interruption or a data compromise event impacting the efficient conduct and reputation of the Helloworld Travel business. The company is vigilant in its approach to mitigating this risk through investment and continual management, in addition to the monitoring of systems to ensure the highest standards are met.

Environmental and social sustainability

Helloworld Travel recognises the potential environmental and social impact that tourists have on destinations in Australia and overseas. The Group recognises that the travel industry can have both positive and negative impact and continues to monitor this impact on tourism destinations and community and traveller expectations in relation to their travel experience.

People

At 30 June 2018, Helloworld Travel has 1,807 Full Time Equivalent (FTE) employees. This is an increase of 21 from the 1,786 FTE at 30 June 2017. The increase reflects the new businesses acquired (Asia Escape Holidays, Flight Systems and Magellan), partially offset by disposal of company owned stores and a continual focus on process efficiencies with the use of technology to reduce the cost base of the business and align it with business revenue and product offering. The total number of people employed across the Group at year end was 1,898, of which 70% are female.

Employee expenditure for the year ended 30 June 2018 decreased by $9.4m or 6.8% to $130.4m, reflecting efficiency gains partially offset by employee costs associated with the businesses acquisitions which occurred towards the end of FY18.

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, Philippines, United Kingdom, China, Singapore, Thailand, Cook Islands, Italy, Germany, Hong Kong and Indonesia.

The FTE breakdown by country is as below:

Australia	1,041	(57%)
New Zealand	358	(20%)
Fiji	159	(9%)
India	93	(5%)
Vietnam	59	(3%)
USA	42	(2%)
Philippines	36	(2%)
Other	20	(1%)
	1,807	

Capital structure

At 30 June 2018, Helloworld Travel had 124,508,076 shares on issue of which the Executive Directors, Andrew Burnes and Cinzia Burnes, along with their Director related entities, own 35.4%. Sintack Pty Limited and its associates hold 17.7%, QH Tours Limited (a subsidiary of Qantas Airways Limited) holds 17.1%, with the remaining 29.8% being held by other shareholders including management.

During the current year, the number of shares increased by 4,303,658 shares to 124,508,076 reflecting the following:

- Issue of 1,550,000 shares under long term incentive plans to certain senior managers;
- Issue of 62,750 shares under the franchise loyalty plan; and
- Issue of 2,690,908 shares as part consideration for the purchase of Magellan, Asia Escape Holidays and a 25% interest in Cooney Investments Pty Ltd.

For personal use only

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 2018 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 21 August 2018, the Directors resolved to pay a 100% franked final dividend of 11.0 cents per ordinary share.

Likely developments

In the opinion of the Directors, it would prejudice the interests of the Group to provide additional information, except as reported in this report, relating to likely developments in the operations of the Group in subsequent financial years.

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 $138,097 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.

For personal use only



HELLOWORLD TRAVEL LIMITED - BRAND PORTFOLIO

Retail - Australia/NZ

DMC - Australia, NZ, SOPAC & Asia

Wholesale - US

Corporate - Australia/NZ

Consolidation

Tour Operating

helloworld TRAVEL LIMITED

Wholesale - Australia & NZ

July 2018

helloworldlimited.com.au

LETTER FROM THE REMUNERATION COMMITTEE CHAIRMAN

For personal use only

Dear Shareholder,

On behalf of the Board, I am pleased to present Helloworld Travel Limited's Remuneration Report for 2018.

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 2018

There were no Short Term Incentive payments awarded for any Key Management Personnel (KMP) for the years ended 30 June 2018 and 30 June 2017. KMPs have established remuneration packages which allows them to participate in the Long Term Incentive Plan (LTIP). KMPs had no further grants under the LTIP during the current year with the exception of the new KMP, John Constable, Group General Manager, Retail and Commercial who was granted 500,000 shares on 1 April 2018 under the LTIP.

Changes to executive remuneration in 2018

During the 2018 year, a number of senior roles were consolidated under the new KMP role of Group General Manager, Retail and Commercial.

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

The Board has continued its commitment to its LTIP program, consisting of a loan-based share plan, directly linked to Total Shareholder Return (TSR) for executive KMP, excluding Executive Directors. 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 2018 Annual General Meeting.

Yours faithfully

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

REMUNERATION REPORT (AUDITED)

For personal use only

This 2018 Remuneration Report outlines the remuneration arrangements for the 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
1.2 Remuneration governance
1.3 KMP executive remuneration framework
1.4 Executive remuneration mix
1.5 Remuneration changes for 2018

2 EXECUTIVE REMUNERATION

2.1 Company performance and remuneration outcomes for 2018
2.2 Executive remuneration
2.3 Loan funded LTIP
2.4 Executive shareholdings
2.5 Executive service agreements

3 NON-EXECUTIVE DIRECTOR REMUNERATION

3.1 Non-Executive Director remuneration governance
3.2 Non-Executive Director remuneration structure
3.3 Non-Executive Director remuneration
3.4 Non-Executive Director shareholdings

For personal use only

1 REMUNERATION GOVERNANCE & FRAMEWORK

1.1 Persons to whom this report relates

This report covers the remuneration arrangements for the KMP of the 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 Executive Directors and the Executive KMP.

Directors and other KMP disclosed in this report are:

Name	Position
Non-Executive Directors	
Garry Hounsell	Chairman and Non-Executive Director
Mike Ferraro	Non-Executive Director
Andrew Finch	Non-Executive Director
Peter Spathis (retired 16 November 2017)	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
Russell Carstensen (resigned 23 May 2018)	Group General Manager – Corporate
Simon McKearney	Group General Manager – New Zealand
John Constable (commenced 12 February 2018)	Group General Manager – Retail & Commercial

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 the market level of remuneration for comparable directors and KMP executive roles.

For personal use only

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 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.

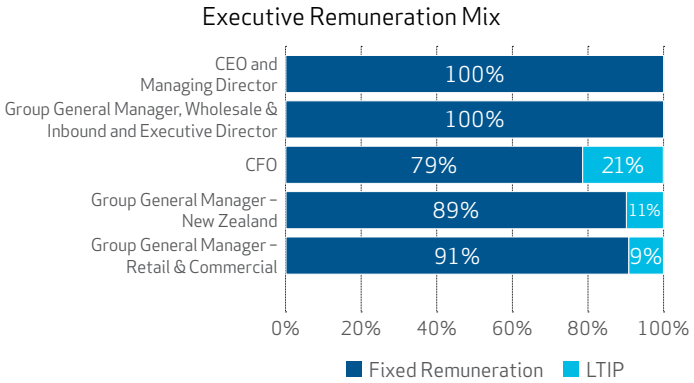
Long Term Incentive ('at risk' remuneration)

The 'at risk' components for certain KMP 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 FY18 remuneration components is as below:



For personal use only

1.5 Remuneration changes for 2018

Short Term Incentive Plan (STIP)

There was no STIP for any KMP for the years ended 30 June 2018 and 30 June 2017.

Long Term Incentive Plan (LTIP)

An LTIP was implemented in the 2017 financial year to a targeted group of senior leaders including executive KMP. During the 2018 financial year, a number of additional senior leaders, including a new executive KMP, were granted LTIP allocations.

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;
- 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 in the 2017 financial year and the allocation to new personnel in the 2018 financial year were for a three year period.

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.

During the year ended 30 June 2017, M Burnett and S McKearney were allocated shares pursuant to the LTIP which included the following attributes:

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; - TSR (based on share price), and - Individual KPIs
50% Vesting	$4.50 share price
100% Vesting	$5.50 share price
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 HLO share value at the scheme commencement and the number of shares issued. The loan is repaid to the company upon the vesting of shares.

During the year ended 30 June 2018, J Constable was allocated shares pursuant to the LTIP which included the following attributes:

Type of Scheme	Loan Funded Scheme
Grant allocation date	1 April 2018
Scheme measurement and vesting date	31 December 2020
Share VWAP at Commencement	$4.67 per share
Performance Criteria	Must meet both; - TSR (based on share price), and - Individual KPIs
50% Vesting	$5.50 share price
100% Vesting	$6.50 share price
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 HLO share value at the scheme commencement and the number of shares issued. The loan is repaid to the company on the sale of vested shares.

Refer to note 33: 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.

2 EXECUTIVE REMUNERATION

2.1 Company performance and remuneration outcomes for 2018

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

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Net profit / (loss) after tax (NPAT)	31,969	21,591	1,676	(201,111)	(63,243)
EBITDA	65,216	55,179	25,290	24,051	40,561

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

	2018	2017	2016	2015	2014
Basic earnings / (loss) per share (EPS cents)	27.1	18.8	1.9	(274.0)	(86.3)
Total dividends declared (cents per share)	18.0	14.0	2.00	-	-
Opening share price at 1 July ($)	4.04	3.08	2.16	1.68	1.98
Closing share price at 30 June ($)	4.80	4.04	3.08	2.16	1.68
Total shareholder return (%)	22.5%	33.8%	42.6%	28.6%	(15.2%)

For the third consecutive year, key metrics including EBITDA, NPAT and EPS have increased significantly. In FY18, Helloworld Travel has increased revenue and successfully reduced costs to re-size the cost base, supported by enhanced technology solutions and business process efficiencies.

For personal use only

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)										
2018	480,000	-	-	8,571	20,049	-	-	-	508,620	0%
2017	455,384	-	-	7,392	19,616	-	-	-	482,392	0%
C Burnes (Group General Manager – Wholesale & Inbound and Executive Director)										
2018	480,000	-	-	8,571	20,049	-	-	-	508,620	0%
2017	455,384	-	-	7,392	19,616	-	-	-	482,392	0%
M Burnett (CFO)										
2018	450,000	-	-	708	20,049	-	128,333	-	599,090	21.4%
2017	425,000	-	-	-	19,616	-	128,333	-	572,949	22.4%
R Carstensen (Group General Manager – Corporate) Resigned 23 May 2018										
2018	406,038	-	-	23,118	20,049	-	(64,167)	-	385,038	(16.7%)
2017	468,765	-	-	8,625	19,616	-	43,613	-	540,619	8.1%
S McKearney (Group General Manager – New Zealand)										
2018	313,895	-	-	-	9,417	-	38,500	-	361,812	10.6%
2017	319,908	-	-	-	9,597	-	38,500	-	368,005	10.5%
J Constable (Group General Manager – Retail & Commercial) Commenced 12 February 2018										
2018	219,284	-	231,960	-	-	-	45,000	-	496,244	9.1%
2018 TOTAL	**2,349,217**	**-**	**231,960**	**40,968**	**89,613**	**-**	**147,666**	**-**	**2,859,424**	
2017 TOTAL	**2,124,441**	**-**	**-**	**23,409**	**88,061**	**-**	**210,446**	**-**	**2,446,357**	

The proportion of remuneration that is performance based was calculated as the LTIP share-based payment as a proportion of total remuneration.

Mr Constable was appointed to Helloworld Travel on 12 February 2018 and his remuneration reflects the period from 12 February 2018 to 30 June 2018. Short term benefits comprising car and housing allowances and one off relocation benefits were provided to Mr Constable. The cost of these benefits and the associated FBT payable are shown in the table above as short term benefits – other, amounting to $231,960.

Mr Carstensen resigned from Helloworld Travel on 23 May 2018 and is no longer a KMP. Mr Carstensen's salary reflects the period from 1 July 2017 to 23 May 2018.

No STIP was awarded in FY18 and FY17.

For personal use only

For personal use only

2.3 Loan funded LTIP

As described at section 1.5, a LTIP was established during 2017. 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 our shareholders.

During the current year, 500,000 (2017: 900,000) shares were issued and allocated to KMP under the loan funded LTIP. The details of the loan funded LTIP are included in note 33 to the Financial Statements: share based payments.

In the current year, 500,000 shares were allocated to John Constable under the 1 April 2018 grant, with vesting date of 31 December 2020. The shares were valued at the market value at the grant date of $4.67 per share.

In the prior year, 900,000 shares were allocated to three KMP members on the 1 July 2016 grant, with vesting date of 30 June 2019. The shares were valued at the market value at the grant date of $3.00 per share. Russell Carstensen resigned from Helloworld Travel during FY18 and his allocated 250,000 shares have been subsequently removed to be sold on market in FY19, as the shares did not meet the three year vesting conditions of the grant.

A loan is provided to each participant equal to the market value of the shares at the time of issue. As at 30 June 2018, the loans to the KMP amount to $4.2 million (30 June 2017: $2.7 million).

The loan is interest free and non-recourse. The loan is to be repaid to Helloworld Travel after vesting conditions are met and must be repaid on the earlier of, the sale of the shares or 10 years after grant date. If the shares fail to vest, the shares will be forfeited and the loan extinguished. During the vesting period, the shares receive dividends as per ordinary paid up shares. The dividends earned on the shares during the vesting period are offset against the loan under the scheme until the loan is repaid.

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

Year ended 30 June 2017	Number of Shares				Loan Value $		
Name	Opening Balance	Granted	Removal as KMP	Closing Balance	Opening Balance	Movement	Closing Balance
M Burnett	-	500,000	-	500,000	-	1,478,182	1,478,182
R Carstensen	-	250,000	-	250,000	-	739,071	739,071
S McKearney	-	150,000	-	150,000	-	443,443	443,443
TOTAL	-	**900,000**	-	**900,000**	-	**2,660,696**	**2,660,696**

Year ended 30 June 2018	Number of Shares				Loan Value $		
Name	Opening Balance	Granted	Removal as KMP	Closing Balance	Opening Balance	Movement	Closing Balance
M Burnett	500,000	-	-	500,000	1,478,182	(56,826)	1,421,356
R Carstensen	250,000	-	(250,000)	-	739,071	(739,071)	-
S McKearney	150,000	-	-	150,000	443,443	(17,036)	426,407
J Constable	-	500,000	-	500,000	-	2,337,350	2,337,350
TOTAL	**900,000**	**500,000**	**(250,000)**	**1,150,000**	**2,660,696**	**1,524,417**	**4,185,113**

For personal use only

2.4 Executive shareholdings

The number of shares in the company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

EXECUTIVE	Number of shares at 1 July 2017	Additions	Removal as no longer KMP	Granted under LTIP	Number of shares at 30 June 2018
A Burnes	12,858,058	41,323	-	-	12,899,381
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 (resigned 23 May 2018)	334,246	-	(334,246)	-	-
J Constable (commenced 18 February 2018)	-	-	-	500,000	500,000
S McKearney	150,000	-	-	-	150,000
TOTAL	**44,970,423**	**41,323**	**(334,246)**	**500,000**	**45,177,500**

A Burnes and C Burnes each have a beneficial interest in The Burnes Group Pty Limited which acts as the Trustee of The Burnes Group Service Trust. A Burnes and C 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.

M Burnett, J Constable and S McKearney shares were granted under the LTIP, refer section 2.3 for further details.

2.5 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 and Group Company Secretary	6 months	6 months	In accordance with normal statutory entitlements
J Constable	Group General Manager - Retail & Commercial	6 months	6 months	In accordance with normal statutory entitlements
S McKearney	Group General Manager - New Zealand	3 months	3 months	In accordance with normal statutory entitlements

For personal use only

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 on one or more Committees. Committee fee is not paid to the Board Chairman.

The Directors' fees have not increased since 1 July 2011. 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 2018 and 30 June 2017 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		Post-employment benefits	
	Cash salary ($)	Other ($)	Superannuation ($)	Total ($)
G Hounsell (Chairman) - appointed 4 October 2016				
2018	175,000	-	16,625	191,625
2017	130,577	-	12,405	142,982
M Ferraro - appointed 1 January 2017				
2018	125,000	-	11,875	136,875
2017	62,500	-	5,938	68,438
A Finch - appointed 1 January 2017				
2018	-	-	-	-
2017	-	-	-	-
P Spathis (Former Non-Executive Director) – retired 16 November 2017				
2018	41,342	-	3,927	45,269
2017	100,457	-	9,543	110,000
R Marcolina (Former Acting Chairman)				
2018	-	-	-	-
2017	55,000	-	-	55,000
A Cummins (Former Non-Executive Director)				
2018	-	-	-	-
2017	39,925	-	3,793	43,718
2018 TOTAL	**341,342**	**-**	**32,427**	**373,769**
2017 TOTAL	**388,459**	**-**	**31,679**	**420,138**

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. The amount in the above table in relation to Mr Marcolina was paid to Qantas Airways Limited.

3.4 Non-Executive Director shareholdings

NON-EXECUTIVE DIRECTOR	Number of shares at 1 July 2017	Additions	Removal as no longer KMP	Number of shares at 30 June 2018
G Hounsell (Chairman)	59,000	19,500	-	78,500
M Ferraro	-	9,569	-	9,569
A Finch	-	-	-	-
P Spathis	83,333	-	(83,333)	-
TOTAL	**142,333**	**29,069**	**(83,333)**	**88,069**

This concludes the remuneration report, which has been audited.

For personal use only

Auditor Independence

The Directors received the declaration of independence on page 45 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 & Risk 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 & Risk 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 45 and forms part of the Directors' Report for the financial year ended 30 June 2018. Details of the amounts paid to PricewaterhouseCoopers, for audit and non-audit services are set out in note 24 of the Financial Statements on page 86 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, 21 August, 2018

For personal use only

For personal use only

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Helloworld Travel Limited for the year ended 30 June 2018, 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
21 August 2018

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

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 21 August 2018.

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 Chairman 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 CEO, the 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 a director appointment, the Board ensures that appropriate checks including background and reference checks are conducted on candidates for the role of director, which may be conducted by external consultants and by other Directors. Candidates also meet with each existing director prior to the Board's decision to appoint them.

For personal use only

To ensure that Directors clearly understand the requirements of the role, service contracts and formal job descriptions 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 his 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 five 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 5 directors
Travel Industry Experience - Australia	4
Travel Industry Experience - International	4
Franchise Operations	2
Technology & Digital Economy	3
Brand Development, Marketing	3
Governance & Compliance	4
Listed Company Experience	4
Relationships/Stakeholder Management	5
Remuneration, Human Resources	5
Legal	3
Wide Industry Experience	3
Financial Experience	3
Strategic Planning & Risk	5
Health & Safety	5

Further detail 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 2018, 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, 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;
- Andrew Burnes is the Company's Chief Executive Officer and Managing Director, and a substantial shareholder of the Company;
- Cinzia Burnes is the Company's Group General Manager, Wholesale and Inbound, Executive Director and a substantial shareholder of the Company; and
- Peter Spathis until his retirement from the HLO Board on 16 November 2017, was employed as Chief Financial Officer of Consolidated Travel Pty Ltd, which operated in the travel industry, and within the Alysandratos Group of Companies, which includes Sintack Pty Ltd ('Sintack'), a substantial shareholder of Helloworld Travel Limited.

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 Garry Hounsell. Mr Hounsell is an independent director of the Company.

For the whole of the year for QH Tours Ltd and up until 16 November 2017 for Sintack Pty Ltd, each had nominated members to the Board. Those nominees brought to the Board the requisite skills which are complementary to those of the other Directors and enabled them to adequately discharge their responsibilities as Non-Executive Directors.

For personal use only

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.

All Directors bring independent judgement to bear on their decisions.

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

The company has a Nominations & Governance Committee. It's key responsibilities are the nomination, appointment and re-election of directors 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 following Directors were members of the Nominations and Governance Committee:

- G Hounsell (Chairman)
- A Burnes
- C Burnes
- P Spathis (until 16 November 2017)
- M Ferraro
- A Finch

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 53 in this Corporate Governance Statement under the heading 'Remunerating fairly and responsibly.'

Remuneration Committee

During the year, the following Non-Executive Directors were members of the Remuneration Committee:

- G Hounsell (Chairman)
- M Ferraro (from 16 November 2017)
- A Finch
- P Spathis (until 16 November 2017)

Details of these Directors' qualifications, their attendance at Remuneration Committee meetings, and the number of meetings held during FY18 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.

For personal use only

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:

- That the Board was functioning well with very open communication between management and the Board;
- The mix of skills and experience of the Board is appropriate for the size and complexity of the company with all directors making a strong contribution;
- Commitment to the ongoing focus on emerging and current non-financial risks; and
- Continuing and enhancing director involvement in company events.

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 Standard of Conduct Policy is in place to promote ethical and responsible practices and expectations for Directors, employees and consultants of the Company in the discharge of their responsibilities. This Policy reflects the Directors' and senior executive's intention to ensure that their duties and responsibilities to the Company are performed with the utmost integrity. A copy of the Standard 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 CGP3.

In accordance with this policy and ASX CGP3, 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.

During the current year, no new Directors were appointed and one Director retired at the 2017 AGM. The retirement of one male Director had the impact of increasing the proportion of females on the Board. The percentage of female personnel reporting directly to the CEO at 30 June 2018 was 29%.

For personal use only

During the year the company delivered the following diversity outcomes:

- As part of the Helloworld Travel Reconciliation Action Plan, a joint venture between QBT and inTravel was finalised which will focus on providing career opportunities to indigenous Australians;
- Provided enhanced health and well being programs nationally including the development of strategic initiatives that focus on the wellness pillars of physical, mental and financial. The programs offer consistent benefits to all team members and support an inclusive culture; and
- Development of 'Career Pathways' to highlight the vast number of positions and career opportunities that the group can offer new candidates and existing team members. The career Pathways encompass a talent management program which enables identification, development and formal career guidance for key talent including a focus on the identification of key female contributors within the company.

The Company recognises the importance and prominence of diversity that is currently encouraged across Australia and globally. The Company will continue to focus on a holistic view of diversity as opposed to solely focusing on gender. The Board has agreed to a Diversity Plan for the 2019 financial year that will focus on:

- The Helloworld Travel Reconciliation Action Plan which is designed to:
  - Attract and retain indigenous employees
  - Develop indigenous awareness through communication and training
- Build an inclusive culture through:
  - Identifying and removing unconscious bias
  - Implementing and enhancing employee health and well being programs
  - Reviewing employment flexibility options and offerings
  - Celebrating key events, including culturally diverse events
- Increasing gender diversity through:
  - Developing internal career pathways for women to progress into senior roles

Helloworld Travel's specific goals and actions include:

- Working with the leadership team to set targets and timeframes to address the gender pay gap at the organisation level, therefore focusing leadership attention to the topic;
- Reviewing the gender pay gap on an annual basis to track progress;
- Implementation of development sessions for all senior leaders to provide an awareness of the types of unconscious biases relating to gender, sexual preference, and race that exist within the workplace, such as prejudices to flexible working, remuneration outcomes, recruitment and selection;
- Ongoing review of the operation of the current parental leave policy across the group to ensure appropriate education is provided to managers on their responsibilities during parental leave. This includes a parental leave handbook to support employees at this important time and ongoing commitment to the 'keep in touch' program for employees on parental leave which contains a support program for transition back to the workplace. This includes 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;
- Implementation of Career Pathways and Talent Management programs; and
- In the event that a vacancy arises within the Senior Leadership Team, an emphasis will be placed on seeking female candidates to attempt to close the gender gap and implement a more diverse team. The company will however continue to operate a meritocracy and the best candidate for the role will be selected.

Proportion of women in the organisation

There are 1322 female employees in the Group representing 70% of the workforce. There are five female employees representing 45% of employees who report directly to the CEO. There is one female on the Board which represents 20% of the Board.

Share trading

A Share Trading Policy is in place for Directors, senior executives and employees. The objective of the policy is 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

For personal use only

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)
- Andrew Finch
- Garry Hounsell (from 16 November 2017)
- Peter Spathis (until 16 November 2017)

The Audit & Risk Committee charter is available in the Corporate Governance section of the Company's website and the composition, operation and responsibilities of the Committee are consistent with ASX CGP 4.1, except that, due to the small number of Independent Directors, the Audit & Risk Committee did not have a majority of Independent Directors until 16 November 2017. During that time, the members of the Audit Committee were considered to be the best qualified to serve on the Committee given their background and experience.

Mike Ferraro, an independent Director, has been the Committee Chairman for the full year. The Company recognised that Mr Spathis' membership of this committee until 16 November 2017 was a departure from Recommendation 4.1 of the ASX CGP. The composition and operation of this committee is now consistent with ASX CGP 4.1.

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 Helloworld Travel Limited 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 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

For personal use only

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 in place 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 in the Integrity of financial reporting section of this Corporate Governance Statement.

The Company's Executive Management Team (EMT) also plays a significant role in identifying, assessing, monitoring and managing risks. The EMT, supported by the Helloworld Group Risk team, are responsible for assisting the Audit & Risk Committee to ensure that robust risk management exists across the organisation. The EMT 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 Company 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 Company 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 31 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 best be 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.

For personal use only

8 Remunerating fairly and responsibly

Helloworld Travel'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 and no equity-based remuneration scheme exist for Non-Executive Directors.

Details of the remuneration arrangements for the Company's Executive Directors are set out in the Remuneration Report on pages 34 to 43.

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 the 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 Committee Chairman and members of the Committee are 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 appropriately skilled 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 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. During the current year, a number of additional senior leaders were offered the opportunity to participate in the LTIP.

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.

For personal use only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	CONSOLIDATED 2018 $'000	2017 $'000
REVENUE	2	**326,874**	**326,833**
Employee benefits expenses	3	(130,381)	(139,820)
Advertising and marketing expenses		(30,575)	(32,022)
Selling expenses		(46,864)	(39,851)
Communication and technology expenses		(20,952)	(21,749)
Occupancy and rental expenses		(12,293)	(14,351)
Operating expenses		(22,241)	(25,149)
Profit on disposal of investments	3	139	429
Share of profit of associates accounted for using the equity method	11	1,509	859
Earnings before interest expense, tax, depreciation and amortisation (EBITDA)		65,216	55,179
Finance expense	4	(1,689)	(3,066)
Depreciation and amortisation expense	3	(17,320)	(21,076)
PROFIT BEFORE INCOME TAX EXPENSE		**46,207**	**31,037**
Income tax expense	6	(14,238)	(9,446)
PROFIT AFTER INCOME TAX EXPENSE FOR THE YEAR		**31,969**	**21,591**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedges	22	1,259	407
Income tax expense on cash flow hedges	22	(370)	(108)
Exchange differences on translation of foreign operations	22	(1,175)	(1,012)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(286)**	**(713)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**31,683**	**20,878**
PROFIT FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest		51	81
Owners of Helloworld Travel Limited		31,918	21,510
		31,969	**21,591**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest		51	81
Owners of Helloworld Travel Limited		31,632	20,797
		31,683	**20,878**
		Cents	Cents
Basic earnings per share	8	**27.1**	**18.8**
Diluted earnings per share	8	**26.9**	**18.7**

The above consolidated 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 2018

	Note	CONSOLIDATED 2018 $'000	2017 $'000
CURRENT ASSETS			
Cash and cash equivalents	9	203,528	198,070
Trade and other receivables	10	130,615	125,227
Inventories		524	529
Derivative financial instruments	26	1,471	-
TOTAL CURRENT ASSETS		**336,138**	**323,826**
NON-CURRENT ASSETS			
Trade and other receivables	10	2,489	268
Investments accounted for using the equity method	11	17,546	16,657
Investment properties		175	175
Property, plant and equipment	12	14,143	13,827
Intangible assets	13	327,225	283,302
Deferred tax assets	14	552	888
TOTAL NON-CURRENT ASSETS		**362,130**	**315,117**
TOTAL ASSETS		**698,268**	**638,943**
CURRENT LIABILITIES			
Trade and other payables	15	199,842	199,911
Borrowings	16	-	104
Provisions	17	14,251	14,067
Deferred revenue	18	79,612	75,736
Derivative financial instruments	26	-	799
Income tax payable		8,124	5,905
Other current liabilities	20	807	809
TOTAL CURRENT LIABILITIES		**302,636**	**297,331**
NON-CURRENT LIABILITIES			
Borrowings	16	41,465	20,253
Deferred tax liabilities	19	40,289	35,191
Provisions	17	3,154	4,085
Other non-current liabilities	20	8,514	2,179
TOTAL NON-CURRENT LIABILITIES		**93,422**	**61,708**
TOTAL LIABILITIES		**396,058**	**359,039**
NET ASSETS		**302,210**	**279,904**
EQUITY			
Issued capital	21	408,495	395,081
Reserves	22	1,726	7,150
Accumulated losses	23	(109,469)	(123,717)
EQUITY ATTRIBUTABLE TO THE OWNERS OF HELLOWORLD TRAVEL LIMITED		**300,752**	**278,514**
Non-controlling interest		1,458	1,390
TOTAL EQUITY		**302,210**	**279,904**

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

For personal use only

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For personal use only

FOR THE YEAR ENDED 30 JUNE 2018

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:					
LTIP expensed	-	531	-	-	**531**
Franchise loyalty plan expensed	-	681	-	-	**681**
Issue of new shares, net of transaction costs	28,846	-	-	-	**28,846**
Dividends	-	-	(9,409)	-	**(9,409)**
Transactions with non-controlling interest:					
Dividends	-	-	-	(21)	**(21)**
BALANCE AT 30 JUNE 2017	**395,081**	**7,150**	**(123,717)**	**1,390**	**279,904**

CONSOLIDATED	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interests $'000	Total equity $'000
BALANCE AT 1 JULY 2017	**395,081**	**7,150**	**(123,717)**	**1,390**	**279,904**
Profit after income tax expense	-	-	31,918	51	**31,969**
Other comprehensive income/(loss)	-	(286)	-	-	**(286)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**-**	**(286)**	**31,918**	**51**	**31,683**
Transactions with owners in their capacity as owners net of tax:					
LTIP expensed	-	616	-	-	**616**
Franchise loyalty plan expensed	-	1,446	-	-	**1,446**
Issue of new shares, net of transaction costs	13,414	-	-	-	**13,414**
Dividends	-	-	(18,168)	-	**(18,168)**
Dividends associated with LTIP	-	-	498	-	**498**
Option for additional interest in subsidiary	-	(7,200)	-	-	**(7,200)**
Transactions with non-controlling interest:					
Acquisition through business combinations	-	-	-	17	**17**
BALANCE AT 30 JUNE 2018	**408,495**	**1,726**	**(109,469)**	**1,458**	**302,210**

The above consolidated 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 2018

	Note	CONSOLIDATED 2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		3,147,250	3,102,699
Payments to suppliers and employees (inclusive of GST)		(3,099,606)	(3,069,732)
Interest received		3,109	2,624
Finance costs paid		(1,716)	(2,450)
Income taxes paid		(7,763)	(4,187)
NET CASH FROM OPERATING ACTIVITIES	25	**41,274**	**28,954**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangibles	13	(12,430)	(7,751)
Payments for property, plant and equipment	12	(5,278)	(2,720)
Payments for investments in associates	11	(1,303)	(14,217)
Payments for acquisition of businesses	32	(697)	(664)
Payments for acquisition of controlled entities, net of cash acquired	32	(18,579)	(731)
Proceeds from disposal of investments	11	1,219	-
Proceeds from disposal of controlled entities	32	-	498
Proceeds from disposal of property, plant and equipment		83	178
Dividends from associates	11	1,289	-
NET CASH USED IN INVESTING ACTIVITIES		**(35,696)**	**(25,407)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds/(repayments) of borrowings	25	21,563	(26,883)
Proceeds from share issues, net of costs		-	28,440
Proceeds from sale of forfeited plan shares, net of costs		706	-
Dividends paid to company shareholders	7	(17,784)	(9,295)
Dividends paid to minority shareholder		-	(21)
Loans provided to related parties for equity accounted investments	28	(2,900)	-
Loans repaid from related parties for equity accounted investments	28	586	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**2,171**	**(7,759)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**7,749**	**(4,212)**
Cash and cash equivalents at the beginning of the financial year		198,070	202,621
Effects of exchange rate changes on cash and cash equivalents		(2,291)	(339)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	9	**203,528**	**198,070**

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

For personal use only

For personal use only

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

(a) Reporting entity

Helloworld Travel Limited (The Company) is incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Stock Exchange (ASX).

The financial statements of Helloworld Travel Limited and its controlled entities (the Group), for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 21 August 2018.

Helloworld Travel Limited is a for profit entity and its principal activities are the selling of international and domestic travel products and services and the operation of travel agent networks.

(b) Presentation and measurement

(i) Statement of compliance

This general purpose financial report has 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 accounting

The 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) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

(iv) Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

(v) Consistent application of accounting policies

Details of the Group's principle accounting policies which have been applied in the preparation of the financial statements are included in note 35: significant accounting policies. These accounting policies have been consistently applied by all entities included in the Group consolidated financial statements. There have been no significant changes in accounting policies from the prior year.

For personal use only

(vi) Comparative periods

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

(c) 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 the Group's 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 prospectively.

(i) Impairment review 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: intangible assets.

(ii) Business acquisitions

The Group undertakes business acquisitions, which requires key judgements in the identification, recognition and measurement of intangible assets created on acquisition, included in the allocation of the purchase price consideration. For certain acquisitions, the Group is required to assess and value the deferred consideration payable including valuation of potential future purchases of non-controlling interests.

In accordance with applicable accounting standards, Helloworld Travel has twelve months from the date of acquisition to finalise its current year acquisitions including the purchase price allocation. The key judgements used for the current year business acquisitions undertaken are outlined in note 32: business acquisitions and disposals. In addition, the accounting policies for acquisitions undertaken are outlined in note 35: significant accounting policies.

(iii) 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 outlined in note 35: significant accounting policies.

For personal use only

(d) New and amended accounting standards impacting the Group

(i) New and amended accounting standards for the year ended 30 June 2018

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2017:

- Amendment to AASB 7: Statement of Cash Flow requiring entities to provide disclosures regarding the changes in liabilities arising from financing activities; and
- Amendment to AASB 12: Income Taxes provides guidance on consideration of tax law restrictions for the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and the determination of future taxable profits.

The adoption of these amendments did not have any impact on the amounts recognised in 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 will have an impact on the Group in future financial years. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 15: Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118: Revenue and AASB 111: Construction Contracts. The new standard is based on the principle that revenue is recognised when control of the good or service transfers to a customer, replacing the existing principle under AASB 118 of revenue recognised upon the transfer of risk and rewards.

The Group has assessed the impacts of applying the new standard on the Group's financial statements and identified that the timing of commission revenue recognition derived in our wholesale businesses will change.

Currently, commissions earned from the arrangement of airline tickets, tours and travel for the Wholesale businesses are recognised when tickets, itineraries or travel documents are issued (ticketing date). Under AASB 15, revenue will be recognised when the Group satisfies its performance obligation under its contracts by transferring the promised good or service to the customers. Under AASB15, the Group has defined the performance obligation of its wholesale businesses as the arrangement of all aspects of holiday packaged travel, including booking, ticketing and management amendments up to the point of departure (departure date). As a result, the revenue from these contracts will no longer be recognised at the ticketing date when previously the risk and reward was deemed to have transferred per the current revenue standard, but will be deferred to be recognised at the later departure date under AASB 15: Revenue from Contracts with Customers, in line with the service obligation performance of the contracts being met to the customer.

The estimated financial impact of this change on net assets and accumulated losses, excluding the impact of tax, at the date of transition on 1 July 2017 is to decrease both by $11.3 million. The impact of this change on net assets and accumulated losses, excluding the impact of tax, as at 30 June 2018 is to decrease both by $12.2 million. The impact on profit before income tax expense for the year ended 30 June 2018 is estimated to be a reduction of $0.9 million relating to the revenue timing adjustment. The income tax impact of this change has not yet been finalised.

Under the new revenue standard, the quantitative and qualitative disclosures will increase compared with the existing revenue standard. Helloworld Travel are currently working through the enhanced disclosures required in preparation for adoption.

The Group will adopt AASB 15: Revenue from Contracts with Customers on 1 July 2018 under the retrospective approach, where comparatives will be restated to align with the new accounting standard. This will result in the impact of initially applying this standard at the beginning of the comparative period on 1 July 2017.

For personal use only

AASB 9: Financial Instruments

AASB 9: Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has assessed the impacts of applying the new standard on the consolidated financial statements and identified that the impairment for trade receivables will increase under the new standard and the hedge documentation of our existing cash flow hedges for forecast foreign currency liabilities will change, but not result in any financial impact to the Group.

Under the new accounting standard, the impairment model requires the recognition of impairment provisions based on expected credit losses for trade receivables, rather than only incurred credit losses under the existing accounting standard. The estimated financial impact of this change on accumulated losses at the date of transition on 1 July 2017 is not expected to be significant. In addition, the year on year balance sheet impact on the consolidated statement of financial position and subsequent movement in the annual consolidated statement of profit or loss is not expected to be significant.

AASB 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. Helloworld Travel has assessed the impact of hedge accounting and determined that the hedge accounting documentation be updated to align with the requirements of the new accounting standard and be applied prospectively. There will be no significant financial impacts to the consolidated statement of financial position or the consolidated statement of profit or loss from the adoption of the new accounting standard.

The Group will adopt AASB 9: Financial Instruments on 1 July 2018 under the retrospective approach, where comparatives will be restated to align with the new accounting standard. This will result in the impact of initially applying this standard at the beginning of the comparative period on 1 July 2017.

AASB 16: Leases

AASB 16 replaces existing leases guidance, including AASB 117: Leases, IFRIC 4: Determining whether an Arrangement contains a Lease, SIC 15: Operating Leases – Incentives and SIC 27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for the Group for the period commencing 1 July 2019.

AASB 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now change as the future accounting standard replaces the current straight line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. There are recognition exemptions for short term leases and leases of low value items. Lessor accounting remains like the current standard with lessors continuing to classify leases as finance or operating leases.

The future accounting standard will primarily impact the accounting for the Group's operating leases. As at 30 June 2018, the Group has $25.3 million of non cancellable operating leases relating mainly to commercial office premises, refer note 27: commitments and contingencies for further details. The actual impact of applying AASB 16 on the consolidated financial statements in the period of initial application will depend on economic conditions including the Group's borrowing rate, the composition of the lease portfolio, the assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

The Group has commenced an initial review of the potential impact on the consolidated financial statements, but has not yet completed its detailed assessment to quantify the financial impact. The new standard will become mandatory for the Group's financial statements in the financial year ended 30 June 2020 with comparative restatements under the retrospective method applied for the year ended 30 June 2019.

2. Revenue

	CONSOLIDATED 2018 $'000	2017 $'000
Rendering of services	321,951	322,326
Rents and sublease rentals	582	923
Finance income	3,109	2,624
Other revenue	1,232	960
REVENUE	**326,874**	**326,833**

3. Expenses

	CONSOLIDATED 2018 $'000	2017 $'000
PROFIT BEFORE INCOME TAX EXPENSE INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
Depreciation (note 12)	(4,744)	(7,771)
Amortisation (note 13)	(12,576)	(13,305)
Defined contribution superannuation expense	(8,511)	(8,784)
LTIP expense (note 33)	(616)	(531)
Employee benefits expense excluding superannuation and LTIP	(121,254)	(130,505)
Rental expense under operating leases (note 27)	(9,564)	(11,553)
Impairment of trade receivables (note 26)	(339)	(275)
Profit on disposal of investments (i)	139	429
Franchise loyalty plan expense (note 33)	(1,446)	(681)
Business acquisition related expenses	(1,009)	-

(i) In the current year, Helloworld Travel disposed of its 33.0% share in Down Under Answers LLC for a profit of $0.1 million, refer note 11: investments accounted for using the equity method for further details. In the prior year, Helloworld Travel sold its legal entities forming part of its former air representation business for a profit of $0.4 million, refer to note 32: business acquisitions and disposals for further details.

4. Finance income and expense

	CONSOLIDATED 2018 $'000	2017 $'000
RECOGNISED IN PROFIT OR LOSS		
Finance income recognised in revenue	3,109	2,624
Finance expense	(1,689)	(3,066)
NET FINANCE INCOME/(EXPENSE) RECOGNISED IN PROFIT OR LOSS	**1,420**	**(442)**

For personal use only

For personal use only

5. Operating segments

(a) Description of segments

The reporting structure is based on a geographical basis of where the businesses are managed. Internal reports reviewed and used by the Chief Executive Officer and Board (the Chief Operating Decision Makers or CODMs) in assessing performance and making strategic decisions are prepared on this basis.

The Group has the following three segments:

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

Australia and New Zealand segments each have retail distribution 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.

(b) Segment information provided to the CODMs

The CODMs assess the performance of the operating segments based on a measure of EBITDA. 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 2018				
Segment revenue	250,774	57,120	18,980	**326,874**
Segment expenses	(194,311)	(50,264)	(18,592)	**(263,167)**
Equity accounted profits	1,509	-	-	**1,509**
EBITDA	**57,972**	**6,856**	**388**	**65,216**

CONSOLIDATED	Australia $'000	New Zealand $'000	Rest of World $'000	Total $'000
YEAR ENDED 30 JUNE 2017				
Segment revenue	244,003	60,525	22,305	**326,833**
Segment expenses	(194,550)	(54,307)	(23,656)	**(272,513)**
Equity accounted profits	859	-	-	**859**
EBITDA	**50,312**	**6,218**	**(1,351)**	**55,179**

For personal use only

(c) Other segment information

(i) EBITDA

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

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
EBITDA	65,216	55,179
Depreciation	(4,744)	(7,771)
Amortisation	(12,576)	(13,305)
Finance expense	(1,689)	(3,066)
PROFIT BEFORE INCOME TAX EXPENSE	**46,207**	**31,037**

(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 $337.9 million (2017: $289.8 million). Total non-current assets located in other countries total $23.7 million (2017: $24.4 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 consolidated statement of profit or loss and other comprehensive income are:

(a) Income tax expense

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Current income tax expense	11,057	9,149
Deferred income tax expense	3,074	459
Adjustment in respect of current tax expense of previous year	107	(162)
INCOME TAX EXPENSE	**14,238**	**9,446**
Deferred income tax expense relates to the origination and reversal of temporary differences and comprises:		
(Increase)/decrease in deferred tax assets (note 14)	481	(719)
Increase/(decrease) in deferred tax liabilities (note 19)	2,593	1,178
DEFERRED INCOME TAX EXPENSE	**3,074**	**459**

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

	CONSOLIDATED 2018 $'000	2017 $'000
PROFIT BEFORE INCOME TAX EXPENSE	**46,207**	**31,037**
Tax at the statutory tax rate of 30%	13,862	9,311
Add/(deduct):		
Gain on disposal of non-current assets	(42)	(189)
Withholding tax not claimable	-	186
Share based payment expense	618	364
Differences in overseas tax rates	(134)	(231)
Business acquisition related costs not deductible	196	-
Tax offset for franked dividends from equity accounted investments	(434)	-
Under/(over) provision in prior year	107	(162)
Other	65	167
INCOME TAX EXPENSE	**14,238**	**9,446**

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

	CONSOLIDATED 2018 $'000	2017 $'000
Cash flow hedges	370	108
TOTAL TAX EXPENSE RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME	**370**	**108**

(d) Tax losses not recognised

	CONSOLIDATED 2018 $'000	2017 $'000
Unused tax losses for which no deferred tax asset has been recognised	2,734	2,249
Potential tax benefit at statutory tax rates	820	675

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

For personal use only

For personal use only

7. Dividends paid and proposed

(a) Dividends

The amount of dividends paid during the year are:

	CONSOLIDATED	
	2018 $'000	2017 $'000
Final dividend for year ended 30 June 2017 of 8.0 cents per share (2017: 2.0 cents per share), distributed on 20 September 2017 (2017: 16 September 2016)	9,684	2,197
Final dividends associated with LTIP	(209)	-
Interim dividend for year ended 30 June 2018 of 7.0 cents per share (2017: 6.0 cents per share), distributed on 9 March 2018 (2017: 20 March 2017)	8,484	7,212
Interim dividends associated with LTIP	(175)	(114)
DIVIDENDS PAID PER STATEMENT OF CASH FLOWS	**17,784**	**9,295**

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

On 21 August 2018, the Group declared a 11.0 cents per share fully franked final dividend. The dividend is to be paid on 18 September 2018, with a record date of 3 September 2018. The final dividend distributed is expected to amount to $13.7 million based on the closing number of issued shares as at 30 June 2018 of 124,508,076. The dividend will be paid out of the 2018 financial year profits, but is not recognised as a liability as at 30 June 2018.

(b) Franking credits

The franked portions of any future dividends paid after 30 June 2018 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 2019. Franking credits are all based on a tax rate of 30%. The amount of franking credits available for the subsequent financial years are:

	CONSOLIDATED	
	2018 $'000	2017 $'000
Franking credits available at the reporting date	26,797	27,492
Franking credits that will arise from income tax payable as at year end	7,654	6,163
Franking debits that will arise from the payment of the final dividend	(5,870)	(4,121)
TOTAL AMOUNT OF FRANKING CREDITS AVAILABLE FOR THE SUBSEQUENT FINANCIAL YEARS	**28,581**	**29,534**

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.

For personal use only

8. Earnings per share

(a) Basic and diluted earnings per share

	CONSOLIDATED 2018 cents	2017 cents
Total basic earnings per share from continuing operations attributable to the ordinary equity holders of the Company	**27.1**	**18.8**
Total diluted earnings per share from continuing operations attributable to the ordinary equity holders of the Company	**26.9**	**18.7**

(b) Reconciliation of earnings used in calculating earnings per share

	CONSOLIDATED 2018 $'000	2017 $'000
Profit after income tax expense	31,969	21,591
Adjusted for profit attributable to the non-controlling interest	(51)	(81)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF HELLOWORLD TRAVEL LIMITED USED IN CALCULATING EARNINGS PER SHARE	**31,918**	**21,510**

(c) Weighted average number of shares used as the denominator

	CONSOLIDATED 2018 Number of Shares	2017 Number of Shares
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED AS THE DENOMINATOR IN CALCULATING BASIC EARNINGS PER SHARE	**117,927,415**	**114,647,185**
Adjustment for shares issued under franchise loyalty plan	683,865	350,334
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED AS THE DENOMINATOR IN CALCULATING DILUTED EARNINGS PER SHARE	**118,611,280**	**114,997,519**

Shares issued under the franchise loyalty plan and the loan funded LTIP are excluded from basic EPS due to the terms and conditions attached to these shares.

The franchise loyalty shares are included in diluted EPS reflecting the forward non-market vesting conditions and the nil consideration paid on the issue of the shares.

The LTIP shares are excluded from diluted EPS reflecting the forward market vesting conditions attached to the shares. For the year ended 30 June 2018, Helloworld Travel has a weighted average number of potential ordinary shares relating to the LTIP of 3,415,068 (2017: 1,985,891).

Refer note 33: share based payments for further details on the nature of shares issued under the franchise loyalty plan and the loan funded LTIP.

(d) Information concerning the classification of securities

As at 30 June 2018, the Company had 124,508,076 (2017: 120,204,418) ordinary shares on issue. Refer note 21: issued capital for further details on the movement of ordinary shares during the current year.

9. Cash and cash equivalents

	CONSOLIDATED	
	2018 $'000	2017 $'000
Cash at bank and on hand	41,987	34,732
Client cash	161,541	163,338
CASH AND CASH EQUIVALENTS	**203,528**	**198,070**

Client cash includes monies paid to the Group by customers prior to being paid to product and service suppliers.

10. Trade and other receivables

	CONSOLIDATED	
	2018 $'000	2017 $'000
Trade receivables	65,610	66,512
Provision for impairment of receivables	(589)	(510)
TRADE RECEIVABLES NET OF IMPAIRMENT	**65,021**	**66,002**
Accrued revenue	48,361	41,946
Prepayments	12,351	10,941
Other receivables	4,882	6,338
	65,594	**59,225**
CURRENT TRADE AND OTHER RECEIVABLES	**130,615**	**125,227**
Loans to related parties (note 28)	2,314	-
Other receivables	175	268
NON-CURRENT TRADE AND OTHER RECEIVABLES	**2,489**	**268**

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 the current trade and other 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 26: financial risk management.

For personal use only

11. Investments accounted for using the equity method

	CONSOLIDATED 2018 $'000	2017 $'000
Investment in associates and joint ventures	17,600	16,711
Provision for diminution in value	(54)	(54)
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	**17,546**	**16,657**

(a) Interests in associates and joint ventures

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

NAME	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2018 %	2017 %
Mobile Travel Holdings Pty Limited and its subsidiaries (g)	Australia	50.0%	50.0%
Down Under Answers, LLC (f)	United States of America	-	33.0%
Hunter Travel Group Pty Ltd (c)	Australia	12.0%	-
HTG Australia Pty Ltd (c)	Australia	25.0%	100.0%
Cooney Investments Pty Ltd (d)	Australia	20.0%	-
Inspire Travel Management Pty Ltd (e)	Australia	40.0%	-

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

(b) Movement in carrying amounts

	CONSOLIDATED 2018 $'000	2017 $'000
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AT THE BEGINNING OF THE FINANCIAL YEAR	**16,657**	**1,563**
Additions (i)	2,205	14,217
Disposals	(1,527)	-
Share of profit after income tax expense	1,509	859
Dividends received	(1,289)	-
Other movements	(9)	18
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AT THE END OF THE FINANCIAL YEAR	**17,546**	**16,657**

(i) During the current year, Helloworld Travel acquired several equity accounted investments for a total of $2.2 million, which included cash consideration of $1.3 million.

For personal use only

For personal use only

(c) Acquisition in Hunter Travel Group Pty Ltd (HTG)

On 31 August 2017, the Group acquired 12.0% of HTG. In addition, Helloworld Travel sold 75.0% of the wholly owned subsidiary, HTG Australia Pty Ltd, to HTG. The subsidiary held seven company owned stores that were the only company owned stores in the Australian network. Helloworld Travel has retained a 25.0% ownership interest in HTG Australia Pty Ltd. The consideration for the investment in HTG amounted to $1.0 million, consisting of cash consideration of $0.4 million and the net assets in HTG Australia Pty Ltd of $0.6 million.

The investment in HTG was undertaken to support the franchises' network development and future growth plans. HTG has seven branded stores and two cruise travel centres in Newcastle and the surrounding areas. In addition, HTG also operates eight Royal Automobile Club of Tasmania (RACT) travel outlets across Tasmania and one cruise travel centre in Hobart.

Due to the ownership interest held of 12.0% in HTG and its subsidiary, HTG Australia Pty Ltd (which Helloworld Travel also has retained a 25.0% direct ownership interest), and Board representation on HTG, Helloworld Travel has significant influence over HTG and HTG Australia Pty Ltd. As a result, the investments are accounted for using the equity method of accounting, after initially being recognised at cost.

(d) Acquisition in Cooney Investments Pty Ltd

On 31 August 2017, the Group acquired 20.0% of Cooney Investments Pty Ltd. The consideration for the investment in Cooney Investments Pty Ltd amounted to $0.8 million, consisting of cash consideration of $0.5 million and 73,395 shares issued at a share price of $4.36 per share, valued at $0.3 million. The share price was based on the weighted average price of Helloworld Travel's share price over the 30 days prior to acquisition and approximates fair value at the date of acquisition.

The investment in Cooney Investments Pty Ltd was undertaken to support the franchises' network development and future growth plans. Cooney Investments Pty Ltd operate two branded network agencies, Helloworld Travel Mackay and Helloworld Travel Mount Pleasant. In addition, Cooney Investments Pty Ltd also operate Hosted Journeys Group Travel and Events, which offers hosted tour products.

Helloworld Travel has significant influence over Cooney Investments Pty Ltd. As a result, the investment is accounted for using the equity method of accounting, after initially being recognised at cost.

(e) Joint venture with Inspire Travel Management Pty Ltd

On 19 January 2018, the Group entered into a joint venture with In Travel Group an indigenous travel management company. Helloworld Travel has a 40.0% non-controlling interest in the joint venture company, named Inspire Travel Management Pty Ltd. Acquisition related costs of $0.4 million were incurred to establish the joint venture and are included in the carrying value of the investment.

Inspire Travel Management Pty Ltd provides travel management services throughout Australia. This venture enables Helloworld Travel to lead best practice in the areas of indigenous employment and procurement outcomes.

Helloworld Travel has significant influence over Inspire Travel Management Pty Ltd. As a result, the investment is accounted for using the equity method of accounting, after initially being recognised at cost.

(f) Disposal of Down Under Answers LLC

On 19 April 2018, the Group sold its 33.0% share in Down Under Answers LLC. The total consideration amounted to $1.6 million including cash consideration in the current year of $1.2 million and the carrying value of the investment at the date of disposal was $1.5 million. As a result, profit of $0.1 million was recognised on disposal of the investment.

For personal use only

(g) Joint venture with Mobile Travel Holdings Pty Limited and its subsidiaries (MTA)

In the prior year, the Group acquired 50.0% 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.

(i) Reconciliation of the Group's investment in MTA

Reconciliation of movement of investment in MTA:

	CONSOLIDATED	
	2018 $'000	2017 $'000
OPENING CARRYING AMOUNT	**15,076**	**-**
Additions	-	14,217
Share of profit after income tax expense	1,434	859
Dividends received	(1,200)	-
CLOSING CARRYING AMOUNT	**15,310**	**15,076**

The closing carrying amount of investment in MTA is reconciled as follows:

	CONSOLIDATED	
	2018 $'000	2017 $'000
50% share in net assets of MTA	1,414	1,180
Indefinite life intangible assets acquired on acquisition	13,896	13,896
CLOSING CARRYING AMOUNT	**15,310**	**15,076**

(ii) Summarised MTA financial information

The below tables provide summarised financial information for the equity accounted investment in MTA, which is considered a significant equity accounted investment for the Group. The information disclosed reflects the amounts presented in the financial statements of MTA and not Helloworld Travel's share of those amounts.

Summarised statement of financial position

	MTA	
	2018 $'000	2017 $'000
Total current assets	14,627	13,370
Total non-current assets	825	820
TOTAL ASSETS	**15,452**	**14,190**
Total current liabilities	12,609	11,797
Total non-current liabilities	15	33
TOTAL LIABILITIES	**12,624**	**11,830**
NET ASSETS	**2,828**	**2,360**

Summarised statement of profit or loss and other comprehensive income

	MTA	
	2018 $'000	2017 $'000
Revenue	10,596	5,923
Operating expenses	(6,187)	(3,290)
EBITDA	**4,409**	**2,633**
Depreciation and amortisation	(312)	(179)
PROFIT BEFORE INCOME TAX	**4,097**	**2,454**
Income tax expense	(1,229)	(736)
PROFIT AFTER INCOME TAX	**2,868**	**1,718**
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	**2,868**	**1,718**

The FY18 statement of profit or loss and other comprehensive income represents the full year trading of MTA. The FY17 statement of profit or loss and other comprehensive income represents the 7 months trading of MTA, from the date of acquisition being 1 December 2016.

(h) 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	Equipment including motor vehicles $'000	Leasehold improvements $'000	Total $'000
BALANCE AT 1 JULY 2016	**603**	**13,098**	**5,859**	**19,560**
Additions	-	1,601	1,502	**3,103**
Additions through business combinations (note 32)	-	9	-	**9**
Disposals	-	(198)	(847)	**(1,045)**
Foreign currency differences	-	(12)	(17)	**(29)**
Transfers 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	**24,994**
Accumulated depreciation	(14)	(8,667)	(2,486)	**(11,167)**
NET BOOK AMOUNT	**593**	**7,821**	**5,413**	**13,827**
BALANCE AT 1 JULY 2017	**593**	**7,821**	**5,413**	**13,827**
Additions	-	4,331	947	**5,278**
Additions through business combinations (note 32)	-	129	89	**218**
Disposals	(33)	(31)	(21)	**(85)**
Disposals through business sales (note 32)	-	(351)	(100)	**(451)**
Foreign currency differences	92	46	(33)	**105**
Transfers in/(out)	-	190	(195)	**(5)**
Depreciation charge (note 3)	(10)	(2,852)	(1,882)	**(4,744)**
BALANCE AT 30 JUNE 2018	**642**	**9,283**	**4,218**	**14,143**
AT 30 JUNE 2018				
Cost	681	20,629	8,023	**29,333**
Accumulated depreciation	(39)	(11,346)	(3,805)	**(15,190)**
NET BOOK AMOUNT	**642**	**9,283**	**4,218**	**14,143**

For personal use only

For personal use only

13. Intangible assets

CONSOLIDATED	Goodwill $'000	Retail distribution systems $'000	Agent network $'000	Supplier agreements $'000	Brand names and trademarks $'000	Software, website and other $'000	Total $'000
BALANCE AT 1 JULY 2016	**141,248**	**97,400**	**8,310**	**2,474**	**2,883**	**33,541**	**285,856**
Additions	-	-	-	-	-	4,627	**4,627**
Additions through internally generated projects	-	-	-	-	-	3,133	**3,133**
Additions through business combinations (note 32)	3,609	-	-	-	-	-	**3,609**
Disposals	-	-	-	-	-	(384)	**(384)**
Foreign currency differences	(217)	-	-	-	-	(17)	**(234)**
Transfers 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**
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**
BALANCE AT 1 JULY 2017	**144,864**	**97,400**	**8,310**	**2,089**	**1,856**	**28,783**	**283,302**
Additions	-	-	-	-	40	6,107	**6,147**
Additions through internally generated projects	-	-	-	-	-	6,283	**6,283**
Additions through business combinations (note 32)	34,052	7,000	-	-	-	3,873	**44,925**
Foreign currency differences	(861)	-	-	-	-	-	**(861)**
Transfer in	-	-	-	-	-	5	**5**
Amortisation charge (note 3)	-	-	-	(385)	(488)	(11,703)	**(12,576)**
BALANCE AT 30 JUNE 2018	**178,055**	**104,400**	**8,310**	**1,704**	**1,408**	**33,348**	**327,225**
AT 30 JUNE 2018							
Cost	501,475	104,400	8,310	2,634	9,143	72,504	**698,466**
Accumulated amortisation and impairment	(323,420)	-	-	(930)	(7,735)	(39,156)	**(371,241)**
NET BOOK AMOUNT	**178,055**	**104,400**	**8,310**	**1,704**	**1,408**	**33,348**	**327,225**

Indefinite life intangible assets including goodwill, retail distribution systems and agent network have been assessed for impairment and no impairment was required in the current year and prior year.

The software, website and other asset class includes additions of capitalised internal labour development costs of $6.3 million (2017: $3.1 million) and intangible technology assets provisionally acquired as part of the current year Flight Systems business acquisition. The intangible asset provisionally acquired of $3.8 million relates to the technology developed for the Skiddoo travel booking system and related flight distribution systems that enable customers to access travel related products via the Skiddoo website and software systems.

For personal use only

Impairment tests for goodwill and other indefinite life intangibles

(a) Goodwill by cash generating unit (CGU)

	CONSOLIDATED	
	2018 $'000	2017 $'000
Australia retail distribution operations	49,890	21,916
Australia wholesale & inbound	97,855	111,702
Australia travel management	19,429	-
New Zealand	10,881	11,246
GOODWILL, NET OF IMPAIRMENT	**178,055**	**144,864**

Australia retail distribution operations CGU, Australia wholesale and inbound CGU and Australia travel management CGU make up the Australia reportable segment for management reporting purposes. The New Zealand CGU equates to the New Zealand reportable segment for management reporting purposes. There is no goodwill allocated to the Rest of World CGU, which equates to the Rest of World reportable segment for management reporting purposes.

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 CGUs, which are assessed as benefiting from the business combination benefits and synergies.

During the current year, total goodwill increased by $33.2 million to $178.1 million as at 30 June 2018, reflecting several strategic acquisitions undertaken. The goodwill determined from each of these acquisitions has been assessed and recorded within an existing CGU based on how Helloworld Travel manages its operations and how the future benefits and synergies arising from the acquisition complement our pre existing businesses. The details of the acquisitions and the goodwill allocation to the respective CGU is outlined in note 32: business acquisitions and disposals.

During the current year, the AOT Hotels business was re-assigned from Australia wholesale & inbound CGU to the Australia travel management CGU reflecting internal reporting and executive management responsibility changes. The AOT Hotels business operates closely with the pre-existing Australia travel management CGU in the supply of critical land products to key corporate customers. As a result, goodwill was reallocated from the Australia wholesale & inbound CGU to the Australia travel management CGU, based on the relative cash flow contribution being re-assigned. In accordance with applicable accounting standards, a goodwill impairment assessment was performed on the impacted CGUs prior to the change with no impairment identified. In addition, a sensitivity analysis determined there were no reasonable changes in assumptions that resulted in the CGU carrying values prior to this re-assignment to exceed the recoverable amount.

The Group tests whether goodwill has incurred any impairment on an annual basis. The recoverable amount of the Group's CGU's is determined based on the value in use calculations. These calculations use cash flow projections based on the Board approved budget for the next financial year, internal CGU level projections covering the subsequent 4 years (the forecast period) and a steady state terminal value calculation at the end of year 5.

The impairment testing undertaken for the year ended 30 June 2018 supports the carrying value of goodwill for all of the CGU's under review and no impairment of goodwill was required. The key assumptions used for the value in use calculations are outlined below:

(i) Cash flows

Operating cash flows were based on the 2019 financial year (FY19) Board approved budget. Cash flows for the forecast period are expected to grow at 5.0% (2017: 5.0%) for all CGU's. The operating cash flows comprise EBITDA from each CGU, net of expected working capital movements and sustainable levels of maintenance capital expenditure.

For personal use only

(ii) Long term growth

The terminal value calculations have an equivalent revenue and operating expense growth assumption of 2.5% (2017: 2.5%). Revenue and operating expense growth projections have been benchmarked against inflation forecasts, travel industry forecasts and other general economic projections where available.

(iii) Discount rates

Discount rates applied in the testing of recoverable amounts reflect the pre-tax weighted average cost of capital. Discount rates applied to the respective CGU's with goodwill allocated are as follows:

	CONSOLIDATED	
	2018 %	2017 %
Australia retail distribution operations	14.2	13.8
Australia wholesale & inbound	14.3	14.0
Australia travel management	14.3	-
New Zealand	14.3	13.7

The sensitivity analysis determined there are no reasonable changes in assumptions that would cause any of the CGU's carrying value to exceed their recoverable amount as at 30 June 2018. In addition, Helloworld Travel has undertaken a sensitivity analysis, excluding the impact of the FY18 business acquisitions, resulting in no impairment identified and no reasonable change in assumptions that will result in goodwill becoming impaired.

(b) Retail distribution systems

	CONSOLIDATED	
	2018 $'000	2017 $'000
Retail distribution systems	104,400	97,400

Retail distribution system assets are acquired as part of business acquisitions undertaken and result in separate identification and valuation of an indefinite life intangible asset.

The retail distribution systems are the integrated system of methods, procedures, techniques and other systems which facilitate the day-to-day running of the retail business. This 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 considers these assets to be complementary and are recognised as single identifiable assets. The Group has determined that these retail distribution systems have an indefinite useful life due to the ongoing effectiveness of the systems which support the Australia retail network and are allocated to the Australian retail distribution operations CGU.

During the current year, an additional $7.0 million was separately identified, through the business acquisition of the Magellan Travel Group, as a retail distribution system intangible asset. The Magellan Travel Group is the 6th retail member network of the Australian retail distribution operations CGU and complements the existing retail member networks, underpinned by the Air Tickets consolidation business that provides airfare distribution and ticketing services.

The recoverable amount has been assessed at 30 June 2018 using an excess earnings calculation methodology. The key assumptions used in the calculation are outlined below:

- Cash flows are based on the FY19 board approved budget, with EBITDA growth rates for years 2 to 5 of 5.0% (2017: 5.0%);
- Terminal value calculations have an equivalent revenue and operating expense growth assumption of 2.5% (2017: 2.5%); and
- Pre-tax discount rate was 14.5% (2017: 14.2%).

The impairment testing undertaken for the year ended 30 June 2018 supports the carrying value of the retail distribution systems and no impairment was recognised.

The sensitivity analysis determined there are no reasonable changes in assumptions that would cause the carrying value of the retail distribution systems to exceed its recoverable amount as at 30 June 2018. In addition, Helloworld Travel has undertaken a sensitivity analysis excluding the impact of the Magellan Travel group, resulting in no impairment identified and no reasonable change in assumptions that will result in the indefinite life asset becoming impaired.

(c) Agent network

	CONSOLIDATED	
	2018 $'000	2017 $'000
Agent network	8,310	8,310

The agent network asset was separately identified and valued as part of the merger with AOT Group Limited.

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 2018 using an excess earnings calculation methodology. The key assumptions used in the calculation are outlined below:

- Cash flows are based on the FY19 board approved budget, with EBITDA growth rates for years 2 to 5 of 5.0% (2017: 5.0%);
- Terminal value calculations have an equivalent revenue and operating expense growth assumption of 2.5% (2017: 2.5%); and
- Pre-tax discount rate was 14.5% (2017:14.2%).

The impairment testing undertaken for the year ended 30 June 2018 supports the carrying value of the agent network and no impairment was recognised.

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 2018.

For personal use only

14. Deferred tax assets

(a) Deferred tax assets

	CONSOLIDATED 2018 $'000	2017 $'000
Tax losses	1,837	2,244
Property, plant and equipment	1,399	1,430
Employee benefits	4,515	4,364
Payables and accruals	12,186	11,603
Other	593	1,506
GROSS DEFERRED TAX ASSETS	**20,530**	**21,147**
Set-off of deferred tax assets and liabilities pursuant to set-off provisions	(19,978)	(20,259)
NET DEFERRED TAX ASSETS	**552**	**888**
Amount expected to be recovered within 12 months	15,863	15,578
Amount expected to be recovered after more than 12 months	4,667	5,569
GROSS DEFERRED TAX ASSETS	**20,530**	**21,147**

(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
BALANCE 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)**
Additions through business combinations	-	-	(291)	-	-	**(291)**
BALANCE AT 30 JUNE 2017	**4,364**	**11,603**	**1,430**	**2,244**	**1,506**	**21,147**
BALANCE AT 1 JULY 2017	**4,364**	**11,603**	**1,430**	**2,244**	**1,506**	**21,147**
(Charged)/credited						
- to profit or loss	67	540	(31)	(407)	(650)	**(481)**
- to other comprehensive income	-	-	-	-	(284)	**(284)**
Additions through business combinations	84	43	-	-	21	**148**
BALANCE AT 30 JUNE 2018	**4,515**	**12,186**	**1,399**	**1,837**	**593**	**20,530**

For personal use only

For personal use only

15. Trade and other payables

	CONSOLIDATED 2018 $'000	2017 $'000
Trade payables	152,846	154,100
Accruals	28,494	30,226
Other payables	18,502	15,585
TRADE AND OTHER PAYABLES	**199,842**	**199,911**

Trade creditors are non-interest bearing and are normally settled within 30 to 60 day terms from invoice. Non trade payables and accruals are non-interest bearing.

Details regarding foreign exchange risk exposure are disclosed in note 26: financial risk management.

16. Borrowings

	CONSOLIDATED 2018 $'000	2017 $'000
Unsecured financing	-	104
CURRENT BORROWINGS	**-**	**104**
Secured bank loan	42,066	20,827
Deferred borrowings costs	(601)	(574)
NON-CURRENT BORROWINGS	**41,465**	**20,253**

(a) Financing arrangements

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

	CONSOLIDATED 2018 $'000	2017 $'000
Secured bank loan - multi currency	40,000	40,000
Secured multi-option revolving credit facilities	20,000	20,000
TOTAL FACILITIES	**60,000**	**60,000**
Secured bank loan - multi currency	37,066	20,827
Secured multi-option revolving credit facilities	15,152	10,798
USED AT THE REPORTING DATE	**52,218**	**31,625**
Secured bank loan - multi currency	2,934	19,173
Secured multi-option revolving credit facilities	4,848	9,202
UNUSED AT THE REPORTING DATE	**7,782**	**28,375**

The Group has secured financing arrangements with the Westpac Banking Corporation of $60.0 million. The 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	
	2018 $'000	2017 $'000
Secured bank loan	42,066	20,827

(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 exposure to interest rate and foreign currency changes, is provided in note 26: financial risk management.

For personal use only

17. Provisions

	CONSOLIDATED 2018 $'000	2017 $'000
Employee benefits - annual leave	5,961	5,853
Employee benefits - long service leave	6,814	6,044
Lease make good	222	47
Straight line rent	306	142
Onerous lease contracts	597	903
Restructuring	132	790
Other	219	288
CURRENT PROVISIONS	**14,251**	**14,067**
Employee benefits - long service leave	1,647	1,769
Lease make good	846	949
Straight line rent	661	989
Onerous lease contracts	-	378
NON-CURRENT PROVISIONS	**3,154**	**4,085**

(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 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	47	790	903	142	288	**2,170**
Non-current	949	-	378	989	-	**2,316**
BALANCE AT 30 JUNE 2017	**996**	**790**	**1,281**	**1,131**	**288**	**4,486**
BALANCE AT 1 JULY 2017	**996**	**790**	**1,281**	**1,131**	**288**	**4,486**
Additions through business combinations	53	-	71	-	99	**223**
Provisions charged to fixed assets	58	-	-	-	-	**58**
Provision charged/(released) to income statement	(47)	(486)	253	(2)	(86)	**(368)**
Payments made/transfers from provision	8	(172)	(1,008)	(162)	(82)	**(1,416)**
BALANCE AT 30 JUNE 2018	**1,068**	**132**	**597**	**967**	**219**	**2,983**
Current	222	132	597	306	219	**1,476**
Non-current	846	-	-	661	-	**1,507**
BALANCE AT 30 JUNE 2018	**1,068**	**132**	**597**	**967**	**219**	**2,983**

For personal use only

For personal use only

(b) Nature and timing of provisions

(i) 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 effect of the unwinding of discounting the provision is recognised as a finance expense.

(ii) 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.

(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 higher 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.

(iv) 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 revenue

	CONSOLIDATED	
	2018 $'000	2017 $'000
Deferred revenue	79,612	75,736

The Group receives monies from customers prior to the travel booking finalisation, which is recorded in the statement of financial position as deferred revenue as at 30 June. The monies will be transferred out of deferred revenue and into trade creditors upon booking finalisation, to pay the suppliers for the travel products and services, with the commission element earned on these bookings reflected as revenue in the consolidated statement of profit or loss and other comprehensive income in the next financial year. Refer note 35: significant accounting policies for further details on deferred revenue.

For personal use only

19. Deferred tax liabilities

(a) Deferred tax liabilities

	CONSOLIDATED 2018 $'000	2017 $'000
Accrued income	21,363	18,352
Indefinite life intangibles	33,813	31,713
Other	5,091	5,385
GROSS DEFERRED TAX LIABILITIES	**60,267**	**55,450**
Set-off of deferred tax assets and liabilities pursuant to set-off provisions	(19,978)	(20,259)
NET DEFERRED TAX LIABILITIES	**40,289**	**35,191**
Deferred tax liabilities expected to be settled within 12 months	11,893	10,189
Deferred tax liabilities expected to be settled after more than 12 months	48,374	45,261
GROSS DEFERRED TAX LIABILITIES	**60,267**	**55,450**

(b) Movement in temporary differences during the year

CONSOLIDATED	Accrued income $'000	Property plant and equipment $'000	Indefinite life intangibles $'000	Other $'000	Total $'000
BALANCE 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
Additions through business combinations	(640)	-	2,493	-	1,853
BALANCE AT 30 JUNE 2017	**18,352**	**1,549**	**31,713**	**3,836**	**55,450**
BALANCE AT 1 JULY 2017	**18,352**	**1,549**	**31,713**	**3,836**	**55,450**
(Charged)/credited					
- to profit or loss	2,989	112	-	(508)	**2,593**
- to other comprehensive income	-	-	-	86	**86**
Additions through business combinations	22	-	2,100	16	**2,138**
BALANCE AT 30 JUNE 2018	**21,363**	**1,661**	**33,813**	**3,430**	**60,267**

20. Other liabilities

	CONSOLIDATED 2018 $'000	2017 $'000
Lease incentives	807	809
OTHER CURRENT LIABILITIES	**807**	**809**
Lease incentives	994	1,689
Redemption liability (i)	7,200	-
Other non-current liabilities	320	490
OTHER NON-CURRENT LIABILITIES	**8,514**	**2,179**

(i) The redemption liability relates to the estimated consideration payable by Helloworld Travel for the remaining non-controlling interest in Asia Escape Holidays. Refer note: 32 business acquisitions and disposals for more information.

For personal use only

21. Issued capital

(a) Shares on issue

	CONSOLIDATED			
	30 Jun 2018 Shares	30 Jun 2017 Shares	30 Jun 2018 $'000	30 Jun 2017 $'000
Issued capital – fully paid	119,797,576	116,938,418	408,708	395,264
Issued capital – issued, but not vested (i)	4,710,500	3,266,000	(213)	(183)
ISSUED CAPITAL	**124,508,076**	**120,204,418**	**408,495**	**395,081**

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.

(i) Issued capital – issued, but not vested

Issued, but not vested capital relates to shares that have been issued under the LTIP and the franchise loyalty plan which have not yet met their future vesting conditions.

(b) Movements in shares on issue

CONSOLIDATED	Note	Date	Number of Shares	$'000
BALANCE		**1 July 2016**	**109,838,418**	**366,235**
LTIP shares	33	23 September 2016	2,450,000	-
LTIP shares	33	14 October 2016	150,000	-
Share issue (i)		26 October 2016	7,000,000	29,750
Franchise loyalty plan shares	33	20 December 2016	666,000	-
Shares offered as consideration for the Cruise business acquisition	32	28 February 2017	100,000	406
Capital raising costs (i)			-	(1,310)
BALANCE		**30 June 2017**	**120,204,418**	**395,081**
BALANCE		**1 July 2017**	**120,204,418**	**395,081**
LTIP shares	33	26 July 2017	350,000	-
LTIP shares	33	30 August 2017	500,000	-
Forfeited franchise loyalty plan shares converted to fully paid capital (ii)		31 August 2017	-	58
Shares offered as consideration for the ownership interest in Cooney Investments	11	21 September 2017	73,395	320
Forfeited LTIP shares converted to fully paid capital (iii)		1 November 2017	-	690
Franchise loyalty plan shares	33	24 November 2017	30,000	-
Franchise loyalty plan shares	33	1 February 2018	32,750	-
Forfeited franchise loyalty plan shares converted to fully paid capital (ii)		6 February 2018	-	24
Shares offered as consideration for the Magellan Travel Group acquisition	32	1 March 2018	2,427,649	11,500
LTIP shares	33	1 April 2018	700,000	-
Shares offered as consideration for the ownership interest in Asia Escape Holidays	32	31 May 2018	189,864	888
Capital raising costs			-	(66)
BALANCE		**30 June 2018**	**124,508,076**	**408,495**

For personal use only

(i) 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. Helloworld Travel incurred $1.1 million of capital raising costs for the issue of these shares, resulting in net cash proceeds of $28.7 million. The purpose of the capital raising was to fund the prior year 50% purchase of MTA and repay long term debt.

(ii) Forfeited franchise loyalty plan shares converted to fully paid capital

During the current year, 13,000 and 5,250 shares relating to the franchise loyalty plan did not meet vesting conditions and were relinquished by the participants. These shares were subsequently sold on market at a share price of $4.45 and $4.50 respectively, amounting to $0.1 million.

(iii) Forfeited LTIP shares converted to fully paid capital

During the current year, 150,000 shares relating to the LTIP did not meet vesting conditions and were relinquished by the participants. These shares were subsequently sold on market at a share price of $4.60, amounting to $0.7 million.

22. Reserves

	CONSOLIDATED	
	2018 $'000	2017 $'000
Foreign currency translation reserve	2,627	3,802
Hedging reserve	1,639	750
Share based payments reserve	4,660	2,598
Redemption reserve	(7,200)	-
RESERVES	**1,726**	**7,150**

(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	Redemption reserve $'000	Total $'000
BALANCE AT 1 JULY 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**
BALANCE AT 1 JULY 2017	**3,802**	**750**	**-**	**2,598**	**-**	**7,150**
Revaluation - gross	-	1,259	-	-	-	**1,259**
Revaluation - deferred tax	-	(370)	-	-	-	**(370)**
Foreign currency translation	(1,175)	-	-	-	-	**(1,175)**
Share based payment expense	-	-	-	2,062	-	**2,062**
Option for additional interest in subsidiary	-	-	-	-	(7,200)	**(7,200)**
BALANCE AT 30 JUNE 2018	**2,627**	**1,639**	**-**	**4,660**	**(7,200)**	**1,726**

For personal use only

(b) Nature of reserves

(i) 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 35: significant accounting policies. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(ii) 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 35: significant accounting policies. Amounts are reclassified to the consolidated statement of profit or loss and other comprehensive income when the associated hedge transaction affects profit and loss.

(iii) 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.

In the prior year, Group reviewed the nature of the historic predecessor accounting reserve and transferred the balance to accumulated losses.

(iv) 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.

(v) Redemption reserve

The redemption reserve relates to Helloworld Travel's option to purchase the remaining non-controlling interest in Asia Escape Holidays. The Group has recognised a financial liability for the estimated amount payable. Refer note: 32 business acquisitions and disposals for more information.

23. Accumulated losses

	CONSOLIDATED	
	2018 $'000	2017 $'000
ACCUMULATED LOSSES AT THE BEGINNING OF THE FINANCIAL YEAR	**(123,717)**	**(292,218)**
Profit after income tax expense attributable to the owners of Helloworld Travel Limited	31,918	21,510
Dividends	(18,168)	(9,409)
Dividends associated with LTIP	498	-
Transfer of predecessor accounting reserve to accumulated losses	-	156,400
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	**(109,469)**	**(123,717)**

For personal use only

24. 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 2018 $	2017 $
AUDIT SERVICES – PwC AUSTRALIA		
Audit or review of the financial statements	852,500	954,580
OTHER SERVICES - PwC AUSTRALIA		
Taxation services	185,263	135,252
Other services	283,232	302,970
TOTAL OTHER SERVICES – PwC AUSTRALIA	**468,495**	**438,222**
TOTAL SERVICES - PwC AUSTRALIA	**1,320,995**	**1,392,802**
NETWORK FIRMS OF PwC AUSTRALIA		
Audit services	193,832	195,223
Taxation services	81,086	61,520
Other services	66,838	19,568
TOTAL SERVICES - NETWORK FIRMS OF PwC AUSTRALIA	**341,756**	**276,311**
NON-PwC AUDIT FIRMS		
Audit services - unrelated firms	61,015	53,978
Taxation services	16,488	7,313
Other services	5,429	9,797
TOTAL SERVICES - NON-PwC AUDIT FIRMS	**82,932**	**71,088**

25. Cash flow reconciliation

(a) Reconciliation of profit after income tax to net cash from operating activities

	CONSOLIDATED 2018 $'000	2017 $'000
PROFIT AFTER INCOME TAX EXPENSE FOR THE YEAR	**31,969**	**21,591**
Adjustments for:		
Depreciation and amortisation expense	17,320	21,076
Share based payment expense	2,062	1,212
Profit on disposal of property, plant and equipment	(83)	(55)
Profit on disposal of investments	(139)	(429)
Impairment losses on trade receivables	339	275
Share of profit of associates accounted for using the equity method	(1,509)	(859)
Amortisation of borrowing costs	151	1,200
Change in operating assets and liabilities, net of effects from purchases of controlled entities:		
(Increase)/decrease in trade and other receivables	(2,935)	8,249
Increase in derivative financial instruments	(2,270)	(727)
Decrease in inventories	5	27
Decrease in trade and other payables	(12,209)	(17,336)
(Decrease)/increase in deferred revenue	3,876	(9,600)
(Decrease)/increase in provisions	(747)	1,089
Decrease in other liabilities	(820)	(1,272)
Movements in tax balances	6,264	4,513
NET CASH FROM OPERATING ACTIVITIES	**41,274**	**28,954**

(b) Reconciliation of assets and liabilities arising from financing activities

The movements in assets and liabilities impacting financing activities are outlined below:

		Cash flows		Non-cash	
CONSOLIDATED	Balance at 30 June 2017 $'000	Proceeds/ (repayments) of borrowings $'000	Movement in related party loans $'000	Foreign exchange movement $'000	Balance at 30 June 2018 $'000
Current borrowings - unsecured financing	**104**	(104)	-	-	**-**
Non-current borrowings - secured bank loan	**20,827**	21,667	-	(428)	**42,066**
Non-current receivables - loans to related parties	**-**	-	(2,314)	-	**(2,314)**
NET DEBT FROM FINANCING ACTIVITIES	**20,931**	**21,563**	**(2,314)**	**(428)**	**39,752**

26. Financial risk management

The Group's principal financial instruments comprise of receivables, payables, cash, short-term deposits, borrowings and derivatives. 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 35: significant accounting policies.

Financial risk management is carried out under policies approved by the Board of Directors. The Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operating businesses. The Board of Directors set policies covering specific areas, such as liquidity risk, foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments and non derivative financial instruments.

(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.

Helloworld Travel manages short term liquidity risk by matching surplus and deficit cash flows throughout the Group. In addition, the Group ensures that there is further excess liquidity based on an ongoing assessment of the current operating environment, in the event that unexpected circumstances should arise.

Management monitors rolling forecasts of the Group's liquidity reserves (comprising the undrawn facilities outlined in note 16: borrowings) and cash and cash equivalents (outlined in note 9: cash and cash equivalents) on the basis of expected cash flows. Financing arrangements, including details on the interest bearing liabilities and facilities and maturity dates, are contained in note 16: borrowings.

For personal use only

(i) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact on discounting is not significant.

		Contractual Cash flows							
CONSOLIDATED - 2018	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	199,842	197,322	2,520	-	-	-	-	-	**199,842**
Redemption liability (note 32)	7,200	-	-	-	-	-	7,200	-	**7,200**
Interest bearing liabilities – secured (i)	42,066	945	932	1,902	1,923	43,796	-	-	**49,498**
Bank guarantees and letter of credit	-	2,743	4,392	1,445	156	1,069	-	346	**10,151**
TOTAL	**249,108**	**201,010**	**7,844**	**3,347**	**2,079**	**44,865**	**7,200**	**346**	**266,691**

		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	199,911	199,911	-	-	-	-	-	-	**199,911**
Interest bearing liabilities – secured (i)	20,827	780	768	1,560	1,571	1,593	21,646	-	**27,918**
Interest bearing liabilities - unsecured	104	104	-	-	-	-	-	-	**104**
Bank guarantees and letter of credit	-	3,401	3,203	1,133	1,234	156	953	718	**10,798**
TOTAL	**220,842**	**204,196**	**3,971**	**2,693**	**2,805**	**1,749**	**22,599**	**718**	**238,731**

(i) Excludes deferred borrowing costs

For personal use only

For personal use only

(b) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed in its wholesale operations to foreign exchange risk arising from future cash flows relating to financial instruments denominated in a currency that is different to its local currency. Due to the nature of Helloworld Travel's wholesale operations, revenue is earned in the wholesale businesses' local currency, however the associated cost of sales is settled by Helloworld Travel based on quoted prices in the local currency of the supplier.

The risk is measured through a forecast of highly probably future purchases, with hedge contracts to purchase foreign currencies timed to mature when payments to suppliers are scheduled, in order to minimise the volatility of the Australian dollar cash flows.

The Board's risk management policy is to hedge forecasted foreign currency cash flows in the wholesale businesses, within specific parameters using forward foreign exchange contracts and to not enter into, issue or hold derivative financial instruments for speculative trading purposes. As at 30 June 2018, all forecasted transactions were highly probable to occur and considered effective hedges in accordance with applicable accounting standards.

The New Zealand dollar denominated credit facility is expected to be repaid with receipts from New Zealand dollar denominated sales. The foreign currency exposure of this financial instrument has therefore not been hedged.

Derivatives

Helloworld Travel has entered into forward foreign exchange contracts to hedge forecasted foreign currency payables. As at 30 June 2018, the Group has the following derivative financial instruments:

	CONSOLIDATED	
	2018 $'000	2017 $'000
CURRENT ASSETS		
Forward foreign exchange contracts – cash flow hedges	1,471	-
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENT ASSETS	**1,471**	**-**
CURRENT LIABILITIES		
Forward foreign exchange contracts – cash flow hedges	-	799
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES	**-**	**799**

Derivatives are presented as current assets or liabilities as they are expected to be settled within 12 months after the end of the reporting date. The Group's accounting policy for its cash flow hedges is set out in note 35: significant accounting policies.

Exposure

As at 30 June 2018, the Group's net exposure to foreign currency risk is set out in the table below. The table 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	
	2018 $'000	2017 $'000
CURRENCY	AUD equivalent	AUD equivalent
USD	(2,028)	(2,175)
EUR	(1,140)	(1,397)
GBP	(395)	(436)
FJD	(1,935)	(2,872)
NZD	11,806	10,124
Other currencies	(4,155)	(4,668)
NET TOTAL FOREIGN CURRENCY EXPOSURE ASSET/(LIABILITY)	**2,153**	**(1,424)**

Sensitivity

The following table summarises the impact of a 10% increase (strengthening of AUD) and decrease (weakening of AUD) in foreign exchange rates on the net profit in the statement of profit or loss and other comprehensive income. The sensitivity rate represents management's assessment of the reasonable possible change in foreign exchange rates and is used when reporting foreign currency risk to key management personnel. The sensitivity analysis assumes hedge effectiveness as at 30 June 2018 and that all other variables including interest rates, remain constant.

	CONSOLIDATED Impact on net profit before tax	
	2018 $'000	2017 $'000
10% increase (2017: 10%)	667	686
10% decrease (2017: 10%)	(816)	(838)

(ii) Interest rate risk

The Group's interest rate risk arises from future cash flows relating to cash assets and cash borrowings with variable interest rates. Helloworld Travel does not hedge its exposure to fluctuations in future cash flows due to changes in market interest rates.

Helloworld Travel manages interest rate risk by ensuring that debt servicing costs are minimised and interest earned is maximised. This includes reviews undertaken, where required, to consider the restructuring of interest bearing debt, the possibility of repaying interest bearing debt and the level of investment of surplus cash in interest bearing accounts.

For personal use only

For personal use only

Exposure

As at 30 June 2018, the Group had term deposits amounting to $50.1 million (2017: $28.0 million) with an average interest rate of 3.1% per annum (2017: 2.3%). In addition, the Group had drawn down borrowings of $42.1 million (2017: $20.8 million) and other cash funds held in operational and foreign currency bank accounts with interest at market rates under normal commercial terms.

Sensitivity

The information below summarises the impact of a 100 basis points per annum increase and decrease in interest rates on the net profit in the statement of profit or loss and other comprehensive income.

	CONSOLIDATED Impact on net profit before tax	
	2018 $'000	2017 $'000
SHORT TERM DEPOSITS		
Increase by 100 basis points (2017: 100 basis points)	500	280
Decrease by 100 basis points (2017: 100 basis points)	(500)	(280)
BORROWINGS		
Increase by 100 basis points (2017: 100 basis points)	(421)	(208)
Decrease by 100 basis points (2017: 100 basis points)	421	208

(c) Credit risk

The Group undertakes transactions with a large number of customers and other counterparties in various countries in accordance with Board approved policy. Credit risk arises from the possibility that a counterparty will default on its contractual obligation relating to cash and cash equivalents, trade and other receivables and favourable derivatives, resulting in financial loss to the Group. Credit risk is measured at fair value.

Risk management

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, regular monitoring and accreditation of travel agents through industry programs.

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.

Helloworld Travel's most significant supplier is Qantas Airways Limited and its subsidiaries, details of these transactions are outlined in note 28: related party transactions.

Collateral is not held as security, nor is it the Group's policy to transfer receivables to special purpose entities.

Exposure

The Group's maximum exposure to credit risk is the fair value of the financial assets which is the carrying amount of the financial asset, net of any impairment losses and provisions.

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

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Cash and cash equivalents	203,528	198,070
Trade and other receivables	133,104	125,495
Derivative financial instruments	1,471	-
TOTAL CREDIT RISK EXPOSURE	**338,103**	**323,565**

Impaired trade receivables

An allowance for impairment losses is made when there is objective evidence that a trade receivable is impaired. 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.

Refer to note 35: significant accounting policies for more information regarding the calculation of impairment losses.

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

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Not past due	-	-
Past due 1 - 30 days	2	6
Past due 31 - 60 days	175	8
Past due 61 - 90 days	228	372
More than 90 days	184	124
TOTAL PROVISION FOR IMPAIRMENT OF RECEIVABLES	**589**	**510**

Movements in the provision for impairment of receivables are as follows:

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
BALANCE AT 1 JULY	**510**	**701**
Acquisitions through business combinations	24	-
Additional provision recognised	339	275
Writeback of provision	(209)	(253)
Receivables written off during the year as uncollectable	(64)	(113)
Other	(11)	(100)
BALANCE AT 30 JUNE	**589**	**510**

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

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Neither past due nor impaired	48,464	48,485
Past due 1 - 30 days	9,141	10,703
Past due 31 - 60 days	3,996	3,455
Past due 61 - 90 days	1,677	2,148
More than 90 days	1,743	1,211
TOTAL TRADE RECEIVABLES NET OF IMPAIRMENT	**65,021**	**66,002**

For personal use only

As at 30 June 2018, trade receivables of $16.6 million (2017: $17.5 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.

(d) Net fair values

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

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

	2018		2017	
CONSOLIDATED	Carrying amount $'000	Net fair value $'000	Carrying amount $'000	Net fair value $'000
Interest bearing assets – non-current	2,314	2,314	-	-
TOTAL ASSETS	**2,314**	**2,314**	**-**	**-**
Interest bearing liabilities - current	-	-	104	104
Interest bearing liabilities – non-current	41,465	42,066	20,253	20,827
TOTAL LIABILITIES	**41,465**	**42,066**	**20,357**	**20,931**

(e) Fair value hierarchy

Certain judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The table below analyses financial instruments carried at fair value, by valuation method.

CONSOLIDATED - 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Net derivative financial assets	-	1,471	-	**1,471**
TOTAL ASSETS	**-**	**1,471**	**-**	**1,471**
Contingent consideration (i)	-	-	2,520	**2,520**
Redemption liability (i)	-	-	7,200	**7,200**
TOTAL LIABILITIES	**-**	**-**	**9,720**	**9,720**

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

(i) For the valuation inputs of the contingent consideration and redemption liability in relation to the acquisition of Asia Escape Holidays, refer note 32: business acquisitions and disposals for details.

There were no transfers between level 1, 2 and 3 for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

For personal use only

The different levels have been defined as follows:

- Level 1: fair value of instruments traded in active markets is based on quoted markets prices at the end of the reporting period. The quoted market price used for financial assets is the current bid price.
- Level 2: fair value of instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(f) Capital Management

(i) Capital Structure

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 continually monitors the return on capital, the level of dividends to ordinary shareholders, cash flow generation and the debt to equity mix in determining its appropriate capital structure.

In order to maintain or adjust the capital structure, the Board's considers the following:

- 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.

(ii) Loan covenants

Under the terms of the borrowing facility, the Group is required to comply with certain loan covenants. The Group has complied with these covenants throughout the current and prior year, with no breaches of loan covenants noted.

For personal use only

27. Commitments and contingencies

	CONSOLIDATED 2018 $'000	2017 $'000
LEASE COMMITMENTS - AS LESSEE		
Future minimum lease payments for non-cancellable operating leases are payable as follows:		
Within one year	10,316	11,961
One to five years	13,473	21,462
More than five years	1,509	2,066
TOTAL LEASE EXPENDITURE CONTRACTED FOR AT YEAR END	**25,298**	**35,489**

LEASE COMMITMENTS - AS LESSOR		
Future minimum lease receipts are as follows:		
Within one year	463	452
One to five years	753	1,211
TOTAL LEASE INCOME CONTRACTED FOR AT YEAR END	**1,216**	**1,663**

(a) Lease commitments - as lessee

The Group predominantly leases commercial properties under non-cancellable operating 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 expense of $9.6 million in the period (2017: $11.6 million).

(b) Lease commitments - as lessor

The Group recognised lease rental income of $0.6 million (2017: $0.9 million). Rental income is derived from the sublease of surplus office space and lease of one investment property.

(c) Guarantees

The Group has on issue bank guarantees and letters of credit as at 30 June 2018 totalling $10.2 million (2017: $10.8 million). In addition, Helloworld Travel Limited has entered into a Deed of Cross Guarantee with certain Australian wholly owned controlled entities as outlined in note 30: parent entity information.

(d) Contingencies

As at 30 June 2018, there are no significant contingent assets or contingent liabilities.

For personal use only

For personal use only

28. Related party transactions

(a) Subsidiaries

Details relating to subsidiaries are included in note 29: particulars in relation to controlled entities.

(b) Ultimate and direct parent

Helloworld Travel Limited is the legal owner of the Group. Refer to note 30: parent entity information for further information.

(c) Associates and joint ventures

Helloworld Travel undertake transactions with its associates and joint ventures. The list of associates and joint ventures held by Helloworld Travel are outlined in note 11: investments accounted for using the equity method.

(d) Entities with significant influence

The following entities were considered to have significant influence over the Group during the year:

- Andrew and Cinzia Burnes director related entities hold 35.4% (2017: 36.6%) of the ordinary shares of Helloworld Travel Limited following the FY16 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. Andrew and Cinzia Burnes are both Directors 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. The rent charged in the current year for the commercial office premises, amounted to $1.2 million (2017: $1.2 million) and is included in part (f) as entities with significant influence over the Group.
- Sintack Pty Ltd holds 17.7% (2017: 18.4%) of the ordinary shares of Helloworld Travel Limited and had one executive member, Peter Spathis on the Board until 16 November 2017. As a result, significant influence over Helloworld Travel ceased on 16 November 2017, in accordance with applicable accounting standards.
- QH Tours Limited, a wholly owned subsidiary of Qantas Airways Limited, holds 17.1% (2017: 17.7%) of the ordinary shares of Helloworld Travel Limited and has an executive member, Andrew Finch on the Board.

(e) Key management personnel (KMP) compensation

	CONSOLIDATED	
	2018 $	2017 $
Short term employee benefits	2,922,519	2,512,900
Long term employee benefits	40,968	23,409
Share based payment benefits	147,666	210,446
Post employment benefits	122,040	119,740
TOTAL KMP COMPENSATION	**3,233,193**	**2,866,495**

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

(f) Transactions with related parties

The following trading transactions occurred with related parties:	CONSOLIDATED 2018 $'000	2017 $'000
(i) Revenue derived from:		
Associates and joint ventures	873	794
Entities with significant influence over the Group	48,248	47,939
(ii) Expenses incurred as a result of transactions with:		
Associates and joint ventures	5,297	1,340
Entities with significant influence over the Group	7,859	8,477
(iii) Receivables as at 30 June:		
Associates and joint ventures	477	197
Entities with significant influence over the Group	9,837	8,018
(iv) Payables as at 30 June:		
Associates and joint ventures	1,463	401
Entities with significant influence over the Group	2,958	2,636

Terms and conditions of related party trading 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.

The following loan transactions occurred with related parties:	CONSOLIDATED 2018 $'000	2017 $'000
(i) Interest revenue from:		
Associates of the Group	102	-
(ii) Non-current loans as at 30 June:		
Associates of the Group	2,314	-

Terms and conditions of related party transactions

During the current year, Helloworld Travel provided a five year loan to the owners of HTG and Cooney Investments Pty Ltd, amounting to $2.9 million. The loans were partially repaid by the owners of $0.6 million in the current year. The closing balance as at 30 June 2018 amounted to $2.3 million, which is reported as non current loans to related parties in the consolidated statement of financial position.

The loans were provided to the owners of these related parties as part of Helloworld Travel's acquisition of a minority interest shareholding, with the objective of assisting these businesses with their future strategic growth objectives. The loans are made on an arm's length basis under normal commercial terms and conditions. The loans are secured by the assets of the respective businesses. Interest accrues daily and is invoiced on a quarterly basis on 30 day terms. The interest rate is based on the Australian Bank Bill swap reference plus a commercial mark up margin.

For personal use only

For personal use only

(g) Transactions with key management personnel (KMP)

During the current year, 500,000 (2017: 900,000) shares were issued and allocated to KMP under the loan funded LTIP. The details of the loan funded LTIP are included in note 33: share based payments.

In the current year, 500,000 shares were allocated to John Constable under the 1 April 2018 grant, with vesting date of 31 December 2020. The shares were valued at the market value at the grant date of $4.67 per share.

In the prior year, 900,000 shares were allocated to three KMP members on the 1 July 2016 grant, with vesting date of 30 June 2019. The shares were valued at the market value at the grant date of $3.00 per share. Russell Carstensen resigned from Helloworld Travel during FY18 and his allocated 250,000 shares have been subsequently removed to be sold on market in FY19, as the shares did not meet the three year vesting conditions of the grant.

A loan is provided to each participant equal to the number of shares issued at market value, amounting to $2.3 million (2017: $2.7 million) for the KMP. As at 30 June 2018, the loan to the KMP amounts to $4.2 million (30 June 2017: $2.7 million).

The loan is interest free and non-recourse. The loan is to be repaid to Helloworld Travel after vesting conditions are met and must be repaid on the earlier of, the sale of the shares or 10 years after grant date. If the shares fail to vest, the shares will be forfeited and the loan extinguished. During the vesting period, the shares receive dividends as per ordinary paid up shares. The dividends earned on the shares during the vesting period are offset against any future loan payable under the scheme until the loan is repaid.

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

Year ended 30 June 2017		Number of Shares				Loan Value		
Name	Role	Opening Balance	Granted	Removal as KMP	Closing Balance	Opening Balance	Movement	Closing Balance
M Burnett	Chief Financial Officer	-	500,000	-	500,000	-	1,478,182	1,478,182
R Carstensen	Group GM - Corporate	-	250,000	-	250,000	-	739,071	739,071
S McKearney	Group GM - New Zealand	-	150,000	-	150,000	-	443,443	443,443
		-	**900,000**	**-**	**900,000**	**-**	**2,660,696**	**2,660,696**

Year ended 30 June 2018		Number of Shares				Loan Value		
Name	Role	Opening Balance	Granted	Removal as KMP	Closing Balance	Opening Balance	Movement	Closing Balance
M Burnett	Chief Financial Officer	500,000	-	-	500,000	1,478,182	(56,826)	1,421,356
R Carstensen	Group GM - Corporate	250,000	-	(250,000)	-	739,071	(739,071)	-
S McKearney	Group GM - New Zealand	150,000	-	-	150,000	443,443	(17,036)	426,407
J Constable	Group GM - Retail & Commercial	-	500,000	-	500,000	-	2,337,350	2,337,350
		900,000	**500,000**	**(250,000)**	**1,150,000**	**2,660,696**	**1,524,417**	**4,185,113**

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

For personal use only

29. Particulars in relation to controlled entities as at 30 June 2018

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 35: significant accounting policies. The proportion of ownership interest shown in this table is equal to the proportion of voting power held.

NAME	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2018 %	OWNERSHIP INTEREST 2017 %
Helloworld Travel Limited [1, 2]	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 [2]	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%
Transonic Travel Pty Limited [2]	Australia	100.0%	100.0%
Helloworld Travel Services (Australia) Pty Limited	Australia	100.0%	100.0%
Travel Indochina Limited	United Kingdom	100.0%	100.0%
Best Flights Pty Limited [2]	Australia	100.0%	100.0%
Helloworld Travel Services (NZ) Limited	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 [2]	Australia	100.0%	100.0%
Helloworld NZ Limited	New Zealand	100.0%	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]	Australia	100.0%	100.0%
ACN 003 683 967 Pty Limited [2]	Australia	100.0%	100.0%
Concorde International Travel Inc.	United States of America	100.0%	100.0%
Helloworld Travel Services USA Inc.	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 Laos Co Limited	Laos	70.0%	70.0%
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%
Helloworld Travel Services Holdings Pty Limited [2]	Australia	100.0%	100.0%
Sunlover Holidays Pty Limited [2]	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%

For personal use only

NAME	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2018 %	2017 %
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%
Travel Brokers Limited	New Zealand	100.0%	100.0%
Pacific Spirit Travel Pty Limited [2]	Australia	100.0%	100.0%
Pillowpoints Pty Limited [2]	Australia	100.0%	100.0%
Travelpoint Pty Limited [2]	Australia	100.0%	100.0%
AOT Retail Pty Limited [2]	Australia	100.0%	100.0%
Australian Online Travel Pty Limited [2]	Australia	100.0%	100.0%
HTG Australia Pty Limited [3]	Australia	25.0%	100.0%
AOT India PVT LTD	India	100.0%	100.0%
Magellan Travel Pty Limited [2,3]	Australia	100.0%	-
Luxury Getaways Pty Limited [2,3]	Australia	100.0%	-
Flight Systems Pty Limited [2,3]	Australia	100.0%	-
Skiddoo Pty Limited [2,3]	Australia	100.0%	-
Skiddoo IT Pty Ltd [2,3]	Australia	100.0%	-
Skiddoo Pte. Ltd [3]	Singapore	100.0%	-
Skiddoo Philippines Inc. [3]	Philippines	100.0%	-
Skiddoo Management Inc. [3]	Philippines	100.0%	-
Keygate Holdings Pty Limited [3]	Australia	60.0%	-
Helloworld Travel Singapore Pte. Ltd [3]	Singapore	100.0%	-

1. Helloworld Travel Limited

Helloworld Travel Limited is the legal owner of the Group. Refer note 30: parent entity information for further details.

2. Deed of cross guarantee

These entities are included in the Deed of Cross Guarantee. 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. Changes to controlled entities during the current year

During the current year, the following entities were acquired via a business acquisition:

- On 1 March 2018, Helloworld Travel acquired the control of two trusts, named Magellan Travel Group Corporate Unit Trust and Magellan Travel Group Unit Trust, trading as the Magellan Travel Group. These trusts are winding down their operations and are expected to be deregistered in FY19. In addition, a new company was incorporated by Helloworld Travel in A.C.N.623 441 814 Pty Ltd on 15 December 2017, which subsequently changed its name to Magellan Travel Pty Limited on 10 April 2018. During the current year, the agents working within the Helloworld Travel Magellan retail network established trading arrangements with Magellan Travel Pty Limited.

- On 16 April 2018, Helloworld Travel purchased 100% of Flight Systems Pty Limited (formerly known as Skiddoo Group Pty Limited) and its controlled entities consisting of:

  - Skiddoo Pty Ltd
  - Skiddoo IT Pty Ltd
  - Skiddoo Pte Ltd (Singapore)
  - Skiddoo Philippines Inc. (Philippines)
  - Skiddoo Management Inc. (Philippines)

- On 31 May 2018, Helloworld Travel Limited purchased 60.0% of Keygate Holdings Pty Limited, trading as Asia Escape Holidays.

For further details on the acquisition of these controlled entities, refer note 32: business acquisition and disposals.

During the current year, the following legal entities were established:

- On 3 April 2018, Helloworld Travel registered a new wholly owned entity based in Australia, named Luxury Getaways Pty Limited. This entity is currently dormant.
- On 2 May 2018, Helloworld Travel registered a new wholly owned entity based in Singapore, named Helloworld Travel Singapore Pte. Ltd. This entity is currently dormant.

On 31 August 2017, Helloworld Travel sold 75.0% of HTG Australia Pty Limited to Hunter Travel Group Pty Limited, retaining a 25.0% interest in the business. HTG Australia Pty Limited was the legal owner of the last 7 Australian company owned stores. As a result, our 25.0% share in HTG Australia Pty Limited is recognised as an equity accounted investment, refer note 11: investments accounted for using the equity method for further details.

For personal use only

For personal use only

30. Parent entity information

The legal parent company of the Group is Helloworld Travel Limited. Set out below is the supplementary information about the parent entity.

(a) Results of parent entity

Summarised statement of profit or loss and other comprehensive income

	PARENT 2018 $'000	PARENT 2017 $'000
Profit after income tax	22,478	19,539
TOTAL COMPREHENSIVE INCOME	**22,478**	**19,539**

Summarised statement of financial position

	PARENT 2018 $'000	PARENT 2017 $'000
Total current assets	75,730	54,122
Total non-current assets	255,018	255,018
TOTAL ASSETS	**330,748**	**309,140**
Total current liabilities	7,560	6,090
Total non-current liabilities	-	146
TOTAL LIABILITIES	**7,560**	**6,236**
NET ASSETS	**323,188**	**302,904**
EQUITY		
Issued capital	565,428	552,014
Share based payments reserve	4,560	2,498
Accumulated losses	(246,800)	(251,608)
TOTAL EQUITY	**323,188**	**302,904**

(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 31: deed of cross guarantee.

(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 2018 the tax consolidated group had a tax payable of $7.6 million (2017: $6.2 million).

(d) Parent entity contingencies

As at 30 June 2018, there are no significant contingent assets or contingent liabilities.

(e) Parent entity issued capital

The issued capital of the parent entity does not equal the issued capital of the consolidated Group due to reverse acquisition business combinations previously undertaken by the Group.

For personal use only

31. Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the entities identified in note 29: particulars in relation to controlled entities are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial statements and Directors' reports.

Helloworld Travel has had a Deed of Cross Guarantee in place since 25 May 2007, which has been amended from time to time to add or remove entities. On 20 June 2018 a replacement Deed of Cross Guarantee was entered into which included the addition of certain wholly owned Australia controlled entities. 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 added into the Deed of Cross Guarantee:

- ACN 003 683 967 Pty Ltd
- AOT Retail Pty Ltd
- Atlantic & Pacific Business Travel Pty Ltd
- Flight Systems Pty Ltd
- Harvey World Travel Franchises Pty Ltd
- Luxury Getaways Pty Ltd
- Magellan Travel Pty Ltd
- Pacific Spirit Travel Pty Ltd
- Pillowpoints Pty Ltd
- Skiddoo Pty Ltd
- Skiddoo IT Pty Ltd
- Sunlover Holidays Pty Ltd
- Travelpoint Pty Ltd

During the current year there were no entities removed from the Deed of Cross Guarantee.

The consolidated income statement and statement of financial position have been prepared in accordance with the accounting policy note 35: significant accounting policies 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) Closed Group statement of profit or loss and other comprehensive income

	CLOSED GROUP	
	2018 $'000	2017 $'000
REVENUE (i)	**125,135**	**116,372**
Employee benefits expenses	(64,981)	(52,833)
Advertising, selling and marketing expenses	(21,589)	(18,405)
Communication and technology expenses	(8,004)	(6,926)
Occupancy and rental expenses	(4,891)	(5,323)
Operating expenses (ii)	(15,106)	(34,855)
Profit on disposal of investments	139	429
Share of profit in associates accounted for using the equity method	74	-
EBITDA	10,777	(1,541)
Finance expense	(1,413)	(2,597)
Depreciation and amortisation expense	(3,798)	(3,171)
PROFIT/(LOSS) BEFORE INCOME TAX BENEFIT	**5,566**	**(7,309)**
Income tax benefit	5,025	5,058
PROFIT/(LOSS) AFTER INCOME TAX BENEFIT	**10,591**	**(2,251)**
OTHER COMPREHENSIVE INCOME		
Change in fair value of cash flow hedge, net of tax	-	3
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR	**10,591**	**(2,248)**

(i) Revenue includes $20.7 million (2017: $24.0 million) in dividends received from Australian entities outside the Closed Group.

(ii) Operating expenses include $0.3 million (2017: $17.6 million) relating to debt forgiveness of intercompany loans with entities outside the Closed Group.

(b) Closed Group summary of movement in accumulated losses

	CLOSED GROUP	
	2018 $'000	2017 $'000
ACCUMULATED LOSSES AT THE BEGINNING OF THE FINANCIAL YEAR	**(201,427)**	**(189,767)**
Dividends	(18,168)	(9,409)
Dividends associated with LTIP	498	-
Profit/(loss) after income tax benefit	10,591	(2,251)
Retained earnings transferred in due to change in closed group	32,896	-
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	**(175,610)**	**(201,427)**

For personal use only

(c) Closed Group statement of financial position as at 30 June

	CLOSED GROUP 2018 $'000	CLOSED GROUP 2017 $'000
CURRENT ASSETS		
Cash and cash equivalents	31,731	23,397
Trade and other receivables	38,920	33,783
Inventories	115	-
TOTAL CURRENT ASSETS	**70,766**	**57,180**
NON-CURRENT ASSETS		
Trade and other receivables	2,439	127
Property, plant and equipment	1,269	1,670
Intangible assets	156,047	106,758
Deferred tax assets	7,117	6,928
Investments	166,363	182,333
TOTAL NON-CURRENT ASSETS	**333,235**	**297,816**
TOTAL ASSETS	**404,001**	**354,996**
CURRENT LIABILITIES		
Trade and other payables	164,197	196,997
Borrowings	-	104
Provisions	9,873	9,047
Deferred revenue	11,196	2,384
Income tax payable	7,652	6,163
TOTAL CURRENT LIABILITIES	**192,918**	**214,695**
NON-CURRENT LIABILITIES		
Borrowings	38,899	11,134
Deferred tax liabilities	14,357	10,715
Provisions	1,140	2,284
Other non-current liabilities	9,000	2,126
TOTAL NON-CURRENT LIABILITIES	**63,396**	**26,259**
TOTAL LIABILITIES	**256,314**	**240,954**
NET ASSETS	**147,687**	**114,042**
EQUITY		
Contributed equity	326,455	313,041
Reserves	(3,158)	2,428
Accumulated losses	(175,610)	(201,427)
TOTAL EQUITY	**147,687**	**114,042**

For personal use only

32. Business acquisitions and disposals

(a) Summary of business acquisitions

During the current year, Helloworld Travel have undertaken several acquisitions with the net cash flow and total purchase consideration summarised below:

CONSOLIDATED - 2018	Net outflow/(inflow) of cash – investing activities $'000	Total purchase consideration $'000
ACQUISITION OF CONTROLLED ENTITIES		
Magellan	19,439	32,470
Flight Systems	402	1,400
Asia Escape Holidays	(1,262)	5,408
TOTAL ACQUISITION OF CONTROLLED ENTITIES	**18,579**	**39,278**
Acquisition of GO C&I business	697	697
TOTAL BUSINESS ACQUISITIONS	**19,276**	**39,975**

The details of the acquisitions undertaken during the current year are outlined below:

(b) Acquisition of Magellan Travel Group (Magellan)

(i) Summary of acquisition

On 1 March 2018, Helloworld Travel acquired the Magellan Travel Group. The acquisition included control over Magellan Travel Group Corporate Unit Trust and Magellan Travel Group Unit Trust. These two trusts will be wound up in the next financial year, with the operations being transferred to Magellan Travel Pty Limited, a wholly owned subsidiary of Helloworld Travel.

The acquisition of Magellan has increased Helloworld Travel's Australia retail distribution businesses scale of operations, creating a separate sixth Australian retail network in the Group. The acquisition will enable the Magellan members to benefit from Helloworld Travel's investment in technology and distribution strategies.

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

	$'000
Cash paid	20,970
Ordinary shares issued	11,500
PURCHASE CONSIDERATION	**32,470**

The $11.5 million of ordinary shares consists of 2,427,649 shares issued at a share price of $4.74 per share. The share price was based on the weighted average price of Helloworld Travel's share price over the 30 days prior to acquisition and approximates fair value at the date of acquisition.

For personal use only

The provisional assets and liabilities recognised from the Magellan acquisition are as follows:

	$'000
Cash and cash equivalents	1,531
Trade and other receivables	798
Property, plant and equipment	38
Intangible assets - software	45
Intangible assets - retail distribution system	7,000
Trade and other payables	(1,768)
Provisions	(153)
Deferred tax liabilities	(2,100)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	**5,391**
Goodwill resulting from the acquisition	27,079
FAIR VALUE OF NET ASSETS ACQUIRED	**32,470**

The assets and liabilities of Magellan acquired by Helloworld Travel are recorded at fair value, resulting in goodwill of $27.1 million. The acquisition accounting was provisionally determined at 30 June 2018 and subsequent adjustments may arise within 12 months of the acquisition date to finalise the acquisition accounting including the final allocation to the separate identifiable intangible assets and the associated tax impact.

The goodwill is attributable to the experience of Magellan management and future revenue synergies expected to arise from the acquisition. It will not be deductible for tax purposes. The goodwill has been allocated to the Australia retail distribution operations cash generating unit.

(ii) Purchase consideration – cash outflow

	$'000
Cash paid	(20,970)
Cash and cash equivalents acquired from controlled entities	1,531
NET OUTFLOW OF CASH – INVESTING ACTIVITIES	**(19,439)**

(iii) Revenue and profit before income tax expense contribution

From the date of the acquisition, 1 March 2018 to 30 June 2018 (4 month period), Magellan contributed revenue of $5.2 million and net profit before income tax expense of $0.3 million to Helloworld Travel's results.

If the date of the Magellan acquisition was 1 July 2017, the enlarged Group revenue and net profit before income tax expense for the year ended 30 June 2018 would have been $333.1 million and $47.1 million respectively. These results are based on the aggregation of Helloworld Travel's and Magellan's results.

(iv) Acquisition related costs

Acquisition related costs of $0.6 million were incurred in the acquisition and 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.

For personal use only

(c) Acquisition of Flight Systems Pty Ltd and its controlled entities (Flight Systems)

(i) Summary of acquisition

On 16 April 2018, Helloworld Travel acquired 100% of the share capital of Flights Systems Pty Ltd, a provider of web-based flight booking technologies and operator of the skiddoo.com.au website.

The acquisition of Flight Systems provides Helloworld Travel with sophisticated website and flight distribution technologies, which will be incorporated into the Group's existing IT platforms, strengthening Helloworld Travel's business technology suite.

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

	$'000
Cash paid	1,400
PURCHASE CONSIDERATION	**1,400**

The provisional assets and liabilities recognised from the Flight Systems acquisition are as follows:

	$'000
Cash and cash equivalents	998
Trade and other receivables	980
Property, plant and equipment	5
Intangible assets - software	59
Intangible assets - technology assets	3,769
Deferred tax assets	148
Trade and other payables	(5,046)
Provisions	(370)
Deferred tax liabilities	(38)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	**505**
Goodwill resulting from the acquisition	895
FAIR VALUE OF NET ASSETS ACQUIRED	**1,400**

The assets and liabilities of Flight Systems acquired by Helloworld Travel are recorded at fair value for accounting purposes, resulting in goodwill of $0.9 million. The acquisition accounting was provisionally determined at 30 June 2018 and subsequent adjustments may arise within 12 months of the acquisition date to finalise the acquisition accounting including the final allocation of the purchase price to the separate identifiable intangible assets and the impact of the Australian tax consolidation finalisation.

The goodwill is attributable to the experience of Flight Systems management and future profitability expected to arise from the acquisition. It will not be deductible for tax purposes. The goodwill has been allocated to the Australia retail distribution operations cash generating unit.

(ii) Purchase consideration – cash outflow

	$'000
Cash paid	(1,400)
Cash and cash equivalents acquired from controlled entities	998
NET OUTFLOW OF CASH – INVESTING ACTIVITIES	**(402)**

For personal use only

(iii) Revenue and profit before income tax expense contribution

From the date of the acquisition, 16 April 2018 to 30 June 2018 (2.5 month period), Flight Systems contributed revenue of $0.6 million and net loss before income tax expense of $(0.1) million to Helloworld Travel's results.

If the date of the Flight Systems acquisition was 1 July 2017, the enlarged Group revenue and net profit before income tax expense for the year ended 30 June 2018 would have been $330.4 million and $45.1 million respectively. These results are based on the aggregation of Helloworld Travel's and Flight Systems' results.

(iv) Acquisition related costs

Acquisition related costs of $0.2 million were incurred in the acquisition and 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.

(d) Acquisition of Keygate Holdings Pty Ltd (trading as Asia Escape Holidays)

(i) Summary of acquisition

On 31 May 2018, Helloworld Travel acquired 60.0% of the share capital in Keygate Holdings Pty Ltd, trading as Asia Escape Holidays, a fast growing outbound travel wholesaler based in Perth specialising in 16 destinations through Asia, the Indian Ocean and the Pacific.

The acquisition of Asia Escape Holidays provides Helloworld Travel with additional products and services that complement the existing Helloworld Travel wholesale businesses in the Asia Pacific region. With demand for inclusive packages in the retail leisure market increasing, this gives Helloworld Travel the ability to offer and deliver a greater range of all-inclusive packages throughout the Asia Pacific region.

Details of the purchase consideration, net assets acquired and goodwill of Asia Escape Holidays are as follows:

	$'000
Cash paid	2,000
Ordinary shares issued	888
Deferred contingent consideration	2,520
PURCHASE CONSIDERATION	**5,408**

The $0.9 million of ordinary shares consists of 189,864 shares issued at a share price of $4.68 per share. The share price was based on the weighted average price of Helloworld Travel's share price over the 30 days prior to acquisition and approximates fair value at the date of acquisition.

The total purchase consideration of $5.4 million includes deferred contingent consideration calculated at $2.5 million. The contingent consideration is payable on 1 July 2019 and determined in accordance with the conditions of the sale and purchase contract. The deferred contingent consideration is based on Asia Escape Holidays' FY19 expected performance that is in excess of the FY18 base result as a valuation multiple.

Helloworld Travel has undertaken a detailed review of Asia Escape Holidays' FY19 results which was included in the Group board approved FY19 budget. Helloworld Travel expect the FY19 performance of Asia Escape Holidays to exceed FY18, resulting in a fair value contingent consideration of $2.5 million as at 30 June 2018. The contingent consideration is included in note 15: trade and other payables.

For personal use only

The provisional assets and liabilities recognised from the Asia Escape Holidays acquisition are as follows:

	$'000
Cash and cash equivalents	3,262
Trade and other receivables	633
Derivative financial instruments	80
Property, plant and equipment	175
Trade and other payables	(1,740)
Provisions	(157)
Deferred revenue	(2,088)
Income tax payable	(121)
Non-controlling interest	(18)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	**26**
Goodwill resulting from the acquisition	5,382
FAIR VALUE OF NET ASSETS ACQUIRED	**5,408**

The assets and liabilities of Asia Escape Holidays acquired by Helloworld Travel are recorded at fair value for accounting purposes, resulting in goodwill of $5.4 million. The acquisition accounting was provisionally determined at 30 June 2018 and subsequent adjustments may arise within 12 months of the acquisition date, including the allocation of the purchase price to separate identifiable intangible assets and the impact of tax finalisation.

The goodwill is attributable to the experience of Asia Escape Holidays management and the enlarged product and service offering that Helloworld Travel can now provide to its customers. It will not be deductible for tax purposes. The goodwill has been allocated to the Australian wholesale and inbound cash generating unit.

(ii) Purchase consideration – cash inflow

	$'000
Cash paid	(2,000)
Cash and cash equivalents acquired from controlled entities	3,262
NET INFLOW OF CASH – INVESTING ACTIVITIES	**1,262**

(iii) Option to purchase 40% non-controlling interest

Helloworld Travel has a call option to buy the remaining 40.0% ownership interest in Asia Escape Holidays on 1 July 2022. In addition, the non-controlling minority interest holder has a put option to sell the 40.0% ownership interest to Helloworld Travel at the same point in time. The mechanism for determining the purchase price of the remaining 40.0% ownership was established in the signed sale and purchase agreement on 31 May 2018, which outlines that the consideration is set at the FY22 performance of Asia Escape Holidays as a valuation multiple.

Helloworld Travel has undertaken a review of Asia Escape Holidays forecast position and future expectations. Helloworld Travel expect the FY22 performance EBITDA of Asia Escape Holidays to be significantly more than current performance, resulting in a $7.2 million fair value assessment on this option. The financial liability in relation to the put option of the remaining non-controlling interest in Asia Escape Holidays has been recorded as a redemption liability in note 20: other liabilities and the potential future purchase of the remaining ownership interest recorded as a redemption reserve within equity. Any change in the fair value measurement of the redemption liability in future financial years will be recorded in the consolidated statement of profit or loss and other comprehensive income.

(iv) Revenue and profit before income tax expense contribution

From the date of the acquisition, 31 May 2018 to 30 June 2018 (1 month), Asia Escape Holidays contributed revenue of $0.6 million and net profit before income tax expense of $0.1 million to Helloworld Travel's results.

For personal use only

If the date of the Asia Escape Holidays acquisition was 1 July 2017, the enlarged Group revenue and net profit before income tax expense for the year ended 30 June 2018 would have been $332.1 million and $46.8 million respectively. These results are based on the aggregation of Helloworld Travel's and Asia Escape Holidays' results.

(v) Acquisition related costs

Acquisition related costs of $0.1 million were incurred in the acquisition and 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.

(e) Acquisition of GO Conference & Incentive Management business (GO C&I)

On 1 April 2018, Helloworld Travel acquired Harris Group Ltd's 50% beneficial interest in GO C&I, a New Zealand travel management business that arranges travel for groups, conferences and events. As a result, Helloworld Travel owns 100% of the business, title and future profits.

The total consideration amounted to $1.2 million, comprising cash paid of $0.7 million and deferred cash consideration of $0.5 million payable in September 2018. Goodwill arising from the acquisition amounted to $0.7 million, which is not deductible for tax purposes and relates to future profitability expected to be derived. The goodwill has been allocated to the New Zealand CGU. Consideration relating to remuneration services of the previous owner is expensed to the consolidated statement of profit or loss and other comprehensive income.

(f) 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 final assets and liabilities recognised from the Cruise Businesses acquisition are as follows:

	$'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**

For personal use only

The goodwill is attributable to future revenue, profitability and cost synergies expected to arise from the acquisition. It was not deductible for tax purposes. The prior year acquisition was provisionally determined in FY17 and there were no changes to the acquisition accounting upon finalisation in FY18.

(g) Disposal in HTG Australia Pty Ltd

On 31 August 2017, Helloworld Travel sold 75.0% of the wholly owned subsidiary, HTG Australia Pty Ltd, which held seven company owned stores that were the only company owned stores in the Australian network, to Hunter Travel Group Pty Ltd (HTG). Helloworld Travel retained a 25.0% ownership interest in HTG Australia Pty Ltd.

The disposed net assets formed part of the total consideration of $1.0 million for Helloworld Travel's equity accounted investment in HTG. Refer note 11: investments accounted for using the equity method for further details. The direct management of the Australian company owned stores was not considered core to Helloworld Travel's operations nor material to the consolidated results.

(h) Disposal of air representation business

On 23 January 2017, the Group disposed of its investment in its former air representation business, consisting of World Aviation Systems (Australia) Pty Limited, Global Aviation Services Pty Limited and Global Aviation Services (Australasia) Pty Limited. The consideration amounted to $0.5 million resulting in a profit before tax of $0.4 million in the prior year. The air representation business was not considered core to Helloworld Travel's operations nor material to the consolidated results.

For personal use only

For personal use only

33. Share based payments

(a) Long term incentive plan (LTIP)

Background

The Board has previously approved the adoption of the LTIP with grants provided to key executives and senior leaders during the current and prior year. 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 key criteria for the LTIP are as follows:

- Shares granted under the LTIP 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;
- 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 the vesting period; and
- The executive or senior leader will also need to meet individual KPIs as determined by the CEO and Board over the vesting period, with the achievement of these KPI's at the sole discretion of the CEO and Board.

Key attributes and valuation

The key attributes of the plan and grants provided since inception are:

	FY18 grants		FY17 grant
Grant date	1 July 2017	1 April 2018	1 July 2016
Vesting date	1 July 2020	1 January 2021	1 July 2019
Number of shares issued	850,000	700,000	2,600,000
Issue and exercise price	$3.81 per share	$4.67 per share	$3.00 per share
50% vesting	$5.50 share price	$5.50 share price	$4.50 share price
100% vesting	$6.50 share price	$6.50 share price	$5.50 share price
Performance criteria	TSR and KPIs	TSR and KPIs	TSR and KPIs

A loan is given to the participant at grant date equal to the share value at the scheme commencement and the number of shares issued. The loan is repaid to the company after vesting conditions are met. The loan is non-recourse and interest free. A holding lock will be placed on the shares until the vesting date has been reached and the performance criteria has 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 the loan extinguished.

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

The fair value of the shares granted includes the loan instruments attached to the shares. The fair value was calculated in accordance with AASB 2: Share based payments. It has been determined using a version of the Black Scholes model incorporating a Monte Carlo simulation analysis to value the market-based performance conditions.

The fair value of the respective grants with key assumptions used in determining its value is outlined as follows:

	FY18 grants		FY17 grant
Grant date	1 July 2017	1 April 2018	1 July 2016
Vesting date	1 July 2020	1 January 2021	1 July 2019
Fair value of instrument	$0.78	$0.99	$0.77
The fair value incorporates:			
Expected price volatility (i)	35% to 45%	30% to 40%	35% to 45%
Expected dividend yield	3.75%	3.40%	2.00%
Risk free interest rate	2.41%	2.50%	1.78%

(i) The expected price volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

Financial summary

During the current year, there were 1,550,000 (2017: 2,600,000) shares granted under the LTIP, summarised as below:

Year ended 30 June 2017

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

Year ended 30 June 2018

				Number of shares				
Grant Date	Start of performance period	End of performance period	Exercise price	Opening balance	Granted	Lapsed (i)	Closing balance	Vested and exercisable at end of the year (ii)
01-Jul-16	1-Jul-16	30-Jun-19	$3.00	2,600,000	-	(150,000)	**2,450,000**	-
01-Jul-17	01-Jul-17	30-Jun-20	$3.8137	-	850,000	-	**850,000**	-
01-Apr-18	01-Apr-18	31-Dec-20	$4.6747	-	700,000	-	**700,000**	-
TOTAL				**2,600,000**	**1,550,000**	**(150,000)**	**4,000,000**	**-**

(i) During the current year, 150,000 (2017: nil) shares lapsed and were subsequently sold on market, reflecting the resignation of one executive.

(ii) No shares were vested or exercised during the current or prior year. The shares issued under the LTIP are all currently in the three year vesting period as at 30 June 2018.

(b) Franchise loyalty shares

Background

Helloworld Travel has issued shares to franchisees, who had elected to participate in the franchise loyalty plan. The shares are issued for nil consideration and have the non-market condition of remaining with the Helloworld Travel network during the vesting period. If the franchisee leaves the Helloworld Travel network prior to the vesting date, the shares allocated to the respective franchisee will be forfeited.

For personal use only

For personal use only

At the vesting date, franchisees which have satisfied the required conditions of the scheme will be issued with their allocated shares at nil consideration. 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 as declared by the Group.

Key attributes and valuation

The key attributes of the plan and grants provided since inception are:

	FY18 grants		FY17 grant
Grant date	24 November 2017	1 February 2018	20 December 2016
Vesting date	1 August 2019	1 November 2018	1 November 2018
Number of shares issued	30,000	32,750	666,000
Issue price	$4.94 per share	$4.79 per share	$3.75 per share
Vesting conditions	Non-market condition	Non-market condition	Non-market condition

The fair value of the shares issued under the franchise loyalty plan is based on the number of shares issued at grant date and the issue price. The issue price is the closing market price on the ASX at the date of issue. The fair value of the shares is amortised over the vesting period as a share based payment expense.

Financial summary

During the current year, there were 62,750 (2017: 666,000) shares granted under the franchise loyalty plan, summarised as below:

Year ended 30 June 2017

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

Year ended 30 June 2018

				Number of shares				
Grant Date	Start of performance period	End of performance period	Exercise price	Opening balance	Granted	Lapsed (i)	Closing balance	Vested and exercisable at end of the year (ii)
20-Dec-16	20-Dec-16	31-Oct-18	$0.00	666,000	-	(18,250)	**647,750**	-
24-Nov-17	24-Nov-17	31-Jul-19	$0.00	-	30,000	-	**30,000**	-
1-Feb-18	1-Feb-18	31-Oct-18	$0.00	-	32,750	-	**32,750**	-
TOTAL				**666,000**	**62,750**	**(18,250)**	**710,500**	**-**

(i) During the current year, 18,250 (2017: nil) shares lapsed and were subsequently sold on market, reflecting certain franchisees leaving the Helloworld Travel network.

(ii) No shares were vested or exercised during the current or prior year. The shares issued under the franchise loyalty plan are all currently in the vesting period as at 30 June 2018.

(c) Expenses arising from share based payment transactions

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

	CONSOLIDATED	
	2018 $'000	2017 $'000
Write back of lapsed performance rights under legacy incentive program	-	(136)
Share based payment expense under LTIP	616	667
Share based payment expense under franchise loyalty plan shares	1,446	681
TOTAL SHARE BASED PAYMENTS EXPENSE	**2,062**	**1,212**

The expense was taken to the share based payments reserve, which forms part of the reserves in the consolidated statement of financial position.

34. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 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 for the following items:

Dividends

On 21 August 2018, the Group declared a 11.0 cents per share fully franked final dividend. The dividend is to be paid on 18 September 2018, with a record date of 3 September 2018. The final dividend distributed is expected to amount to $13.7 million based on the closing number of issued shares as at 30 June 2018 of 124,508,076. The dividend will be paid out of the 2018 financial year profits, but is not recognised as a liability as at 30 June 2018.

For personal use only

For personal use only

35. 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.

(a) Principles of consolidation

The consolidated financial statements comprise the financial statements of Helloworld Travel Limited and its subsidiaries (referred to in this financial report as the Group) as at 30 June 2018 and for the year then ended.

(i) Subsidiaries

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 deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries are consistent 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 consolidated statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds 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.

Under the equity method of accounting, the investments are initially recognised at cost including acquisition related costs, that are adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee (in Group profit or loss) and the Group's share of movements in other comprehensive income (OCI) of the investee (in Group OCI). Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equal or exceed its interest in the entity, 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.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are consistent with the policies adopted by the Group.

The carrying amount of associates is tested for impairment in accordance with the policy described at note 35(l).

(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 amounts of the controlling and non-controlling interests to reflect their relative interests in the 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.

For personal use only

When the Group ceases to consolidate or equity account for an investment because of a loss of 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. This fair value becomes 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 OCI 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 OCI are reclassified to profit or loss.

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

(b) Business combinations

The acquisition 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;
- liabilities incurred to the former owners of the acquired business;
- equity interest issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

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. The Group recognises any non-controlling interest in the acquired entity on an acquisition by acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are expensed as incurred, except if related to the issue of debt or equity securities, in which case are recognised directly in equity.

Goodwill is recognised when there is an excess of, consideration transferred, any amount of any non-controlling interest in the acquired entity; and the acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as 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 as a financial liability and 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 acquired entity is remeasured to fair value on the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

(c) Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges or are attributable to part of the net investment in a foreign operation.

For personal use only

Foreign exchange gains or losses that relate to borrowings are presented in the statement or profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss in profit or loss and OCI.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at the average exchange rates or the exchange rate at the date of the transaction if considered more appropriate; and
- all resulting exchange differences are recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings are recognised in OCI. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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 suppliers 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, agent commissions 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 primary activities as outlined below:

(i) Commission revenue

The Group receives at source commission from suppliers for the arrangement of travel, tours and travel related products.

Revenue is recognised by the Group's retail business for travel commissions at source when tickets, itineraries or travel documents are issued as the transaction is complete at this point.

The Group's wholesale business work with hotels, transportation providers (air, rail and cruise) and attractions to purchase individual travel components from them at agreed rates. Those components are packaged into marketable holiday travel packages and tours for the travel leisure market to local and overseas destinations. The commission revenue recognised is the margin received between the arranged purchase price of travel products and the retail price of the holiday package, net of commissions paid to travel agents. Revenue is recognised at the point of issuing tickets, itineraries or travel documents as it is considered reasonable that the risk and rewards have sufficiently transferred.

Revenue is recognised by the Group's Inbound business in Australia, New Zealand and Fiji for the arrangement of airline tickets, tours and travel on the traveller's tour or travel departure date due to this being the point at which revenue can be reliably measured.

For personal use only

The Group also receives commissions from sales of travel related products such as insurance and foreign currency purchasing services and incentives from suppliers. These commissions are recognised as revenue on an accrual basis when they are earned and the amount can be reliably measured.

The Group acts in the capacity of an agent rather than principal with the facilitation of the tour, travel or accommodation service. As a result, commission revenue is recognised as the net amount of commission received or receivable by the Group.

(ii) Override commission revenue

The Group receives volume based override commissions from suppliers across the air, land and cruise travel products sold.

The override commissions are calculated on a tiered earning rate, generally based on eligible departed travel sales (for air and cruise) or on commencement of hotel stay (for land), for the contracted period. Each supplier has separate contractual agreements with the Group and the contractual rates, performance tiers and contract periods vary accordingly.

Override commission is calculated for the contract period, based on the value of eligible travel during the period at the expected contracted applicable override rates. Eligible travel for the financial year is calculated based on detailed booking information and is reviewed by management considering current and historical booking trends. To estimate the appropriate override rate to use in the calculation of the estimated override commission, the expected eligible travel sales for the contract period are estimated (based on actual sales, forecast bookings and historical trends) and compared to the contractual performance tiers.

(iii) Travel management transaction and service fees

The Group's travel management business charge customers a transaction fee when travel arrangements are booked through either the Group's online system or using a travel management consultant.

Transaction fees are levied in accordance with their contractually agreed rates for the type of product booked. Transaction and service fees are recognised as revenue at the time of ticketing, as this is the point at which it is probable that revenue will be received and can be measured reliably. Where amendments occur after the initial transaction, these are treated separately and additional transaction fees may be incurred.

(iv) Other services

Contributions are received from suppliers to compensate the Group for costs incurred in relation to marketing campaigns and activities. These contributions are recognised as revenue when the associated advertising and marketing costs are incurred by the Group.

Franchise, agency, service level arrangements and licence fees are recognised on a straight-line basis over the term of the agreement.

(e) Cash and cash equivalents

Cash and cash equivalents include 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. Interest income is earned on cash and term deposits and is recognised on an accrual basis in the statement of profit or loss.

Client cash includes monies paid to the Group by customers prior to travelling.

(f) Trade 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. 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.

For personal use only

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) Accrued revenue

Accrued revenue relates to amounts owed to the Group at balance sheet date that has not yet been invoiced to the customer or received as cash from the customer. The Group's accrued income mainly relates to the estimate of override commission revenue being earned during the respective customer contract period but not yet invoiced at balance date. Refer note 35(d)(ii) for further details on revenue recognition for override commission revenue. In addition, accrued revenue includes commission revenue earned, but not yet invoiced from the passage of time.

(h) Prepayments

Prepayments consist of travel products purchased prior to revenue recognition of the associated travel booking and prepaid operating expenditure.

(i) Investment property

Investment property is held for long term rental yields and is not occupied by the Group. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

The measurement of fair value of investment property 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.

Rental income is derived from the leasing of investment property under long term operating leases and is recognised as revenue on a straight-line basis over the term of the lease.

(j) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to allocate the cost of items of property, plant and equipment (less their estimated residual values) using the straight-line method over their estimated useful lives and is recognised in profit or loss. Leasehold improvements are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term or extend the initial lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Freehold buildings 40 years
- Office equipment 2.5 to 10 years
- Leasehold improvements 5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

For personal use only

(k) Intangible assets

(i) Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets and the goodwill measurement policy is outlined in note 35(b). Goodwill is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for impairment testing purposes. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

(ii) Other 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). The useful lives of intangible assets are assessed to be either finite or indefinite.

The following intangible assets are considered finite life intangible assets. They are amortised using the straight-line method over the following periods:

- Supplier agreements 6 to 8 years
- Brand names and trademarks 7 to 20 years
- Software, website and other assets 2.5 to 10 years

Included in the software, website and other assets class is the intangible technology asset acquired as part of the Flight Systems acquisition. The asset relates to the technology developed for its travel booking system and related flight distribution systems that enables customers to access travel related products via its website and software systems. The asset is amortised over 10 years.

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.

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 a finite useful life are reviewed at least at each financial year end.

Retail distribution systems and agent network assets are considered indefinite life intangible assets. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually on an individual basis. The indefinite life assumption of an intangible asset is reviewed each reporting period to determine whether the 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.

(l) Investment and other financial assets

Investments are categorised as financial assets at fair value through profit or loss. Other financial assets are categorised as financial assets at fair value through profit or loss, or loans and receivables as appropriate.
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, in the case of assets not at fair value through profit or loss, they are measure at fair value plus directly attributable transaction costs.

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. 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.

(m) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets including property, plant and equipment, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or CGUs. Non-financial assets, other than goodwill, that were impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

(n) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They include amounts owing to participating retail travel agents under the Group's incentive program, reported within selling expenses in the statement of profit or loss and OCI, which is assessed based on the volume of completed sales made with designated preferred suppliers of the Group.

Trade and other payables are unsecured and are usually paid within 30 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at their amortised cost.

(o) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessees are classified as operating leases. Payments made under operating lease payments (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the term of the lease. Operating lease incentives are recognised as a liability when received and subsequently recognised as a reduction in the rental expense over the lease term.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis 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 any finance leases.

(p) Employee benefits

(i) Short term employee benefits

Liabilities for wages and salaries, short term bonuses and annual leave (that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The annual leave liability is presented as current employee benefit obligations in the balance sheet. All other short-term employee benefit obligations are presented as payables.

For personal use only

For personal use only

(ii) Long term employee benefits

The liability for long service leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. It is therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. The fair value of long term employee benefits is determined using the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds that match, as closely as possible, the estimated future cash outflows. Re-measurement from 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 in the form of loan funded share instruments (long term incentive plan) to employees and a deferred share scheme (franchise loyalty plan) to franchisees. Information relating to these schemes is set out in note 33: share based payments.

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 in the share based payment reserve. The total amount to be expensed is determined by reference to the fair value of the instrument granted as follows:

- including any market performance conditions such as share price;
- excluding the impact of any service and non-market performance vesting conditions such as employees achieving certain KPIs; and
- including the impact of any non-vesting conditions.

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 and service 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. The proceeds received (if any) net of any directly attributable transactions costs are credited directly to equity.

(iv) Defined contribution plans

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group 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 from 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.

For personal use only

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation arising from past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance expense.

The nature and timing of provisions held by Helloworld Travel are outlined in note 17: provisions.

Dividends are only recognised in the financial year in which the dividend is paid as the decision to pay a dividend may be revoked by the Board at any time before payment.

(r) Deferred revenue

The Group receives monies from customers prior to the travel booking finalisation, which are recorded in the statement of financial position as deferred revenue.

At the end of each financial year, the amount recorded on the balance sheet consists of monies that Helloworld Travel will pay its suppliers for the purchase of travel products in the next financial year and the revenue commission that will be earned in future. The revenue commission from these transactions will be released to the consolidated statement of profit or loss and OCI in the next financial year in accordance with the revenue recognition policy outlined in note 35(d).

(s) Financial liabilities (redemption liability)

As part of the acquisition of Asia Escape Holidays, the Group has entered a put and call option (redemption liability) to purchase the remaining 40.0% ownership interest in the future. The Group has classified the liability as a financial liability designated at fair value through profit and loss. The financial liability is initially recognised at fair value with a corresponding debit made to the redemption reserve within equity.

All subsequent changes in the carrying value of the financial liability that result from the re-measurement of its fair value are recognised in the consolidated statement of profit or loss and OCI. The Group will derecognise the financial liability when the obligation is either exercised, cancelled or expired.

(t) 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 profit or loss over the period of the borrowings using the effective interest method.

Establishment fees of the loan facilities are recognised as borrowing costs of the loan as the facility has been drawn down. The establishment fees are netted against the borrowings and amortised on a straight line basis over the term of the facility. As a result, finance expense in the consolidated statement of profit or loss consists of interest expense recorded on an accrual basis and the unwinding of the deferred borrowing costs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a 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 the consolidated statement of profit or loss.

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 period.

(u) Derivatives and hedging activities

The Group holds derivative financial instruments to hedge its foreign currency exposures.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as a hedge of its foreign currency exposures.

The Group documents at the inception of the hedging transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in OCI and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in OCI is transferred to the carrying amount of the asset when the asset is recognised. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(v) Income tax

Income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

For personal use only

For personal use only

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

(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 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.

(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 deferred tax asset relating to tax loss be 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 are recognised as a current amount receivable or payable to Helloworld Travel. Any difference in the amounts assumed and the amount receivable or payable to Helloworld Travel, are shown as a contribution to, (or distribution from) the head tax entity Helloworld Travel 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.

For personal use only

(iii) 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.

(w) 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.

(x) 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 prior year, the balance of the predecessor accounting reserve was transferred to accumulated losses via the statement of changes in equity.

The nature of our reserves reported in the statement of financial position are outlined in note 22: reserves.

(y) 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.

(z) Parent entity financial information

The financial information for the legal parent entity, Helloworld Travel Limited is disclosed in note 30: parent entity information and has been prepared on the same basis as described above, except as set out below.

- investment in subsidiaries and associates are accounted for at cost; and
- where Helloworld Travel Limited 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

For personal use only

In the directors' opinion:

(a) The consolidated financial statements and notes that are set out on pages 54 to 128 and the Remuneration report in the Directors' Report set out on pages 34 to 43, 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 2018 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 2018 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 29 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 described in note 31 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, 21 August 2018

For personal use only

Independent auditor's report

To the members 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 2018 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 2018
- 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 consolidated 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

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.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

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 $2.3 million, which represents approximately 5% of the Group's profit before tax. • 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. • We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We selected 5% based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group predominately operates across Australia and New Zealand, with operations in Fiji, Vietnam, the United States of America and other locations. • The Group accounting function is based in Melbourne. • Our work is performed predominately in Australia with reporting from component auditors in New Zealand. • 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: – Carrying value of goodwill – Carrying value of retail distribution system and agent network – Estimation of override commission revenue • 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.

For personal use only



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 $178.1m which represents 25% of the total assets of the Group. The Group's goodwill is recognised in four Cash Generating Units (CGU) – Australia Retail Distribution Operations ($49.9m), Australia Wholesale & Inbound ($97.9m), New Zealand ($10.9m) and Australian Travel Management ($19.4m). There is one additional CGU, Rest of World, which has no goodwill allocated as at 30 June 2018.

During the current year, the Group re-aligned the business units based on the Group's organisational structure. This resulted in the AOT Hotels business being considered as part of the Travel Management Australia CGU, rather than Australia Wholesale & Inbound CGU.

A goodwill impairment assessment was performed on the previous CGUs, prior to reallocation, with no impairment identified. The goodwill has been reallocated to the new CGU's based on the relative value contribution of each CGU.

In addition there were a number of acquisitions during the year that were allocated into the above CGU's, resulting in an increase in goodwill of $34.1m.

For the year ended 30 June 2018, 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 at 30 June 2018 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 changes to the CGU's, including the re-allocation and acquisitions.
- 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 2019 used in the impairment assessment with the FY2019 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.

For the acquisitions that occurred during the year, further sensitivities were performed by excluding the impact of the acquisitions to understand the movements in the cash flows compared to the prior year position.

For personal use only



Key audit matter	How our audit addressed the key audit matter

Carrying value of Retail Distribution systems and Agent network

(Refer to note 13)

The Retail Distribution systems ($104.4m) and Agent network ($8.3m) are indefinite life intangible assets, allocated to specific cashflows within Australia Retail Distribution 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 and agents facilitate the day to day running of the businesses.

In the current year, there was an additional Retail Distribution system asset identified of $7.0m as part of the Magellan acquisition.

For the year ended 30 June 2018 the Group performed impairment assessments at these individual asset levels by:

1. Calculating the recoverable amount based on an excess earnings calculation.
2. Comparing the recoverable amount of the Retail Distribution systems and Agent network to the carrying amount.

The assessment did not identify a need for impairment.

We considered the carrying value of the Retail Distribution systems 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:

- Discount rates
- Annual growth rates (short-term)
- Terminal growth rates

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.
- Compared the forecasted cash flows for 2019 used in the impairment assessments with the FY2019 budget formally 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 respective business 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 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.

We performed a sensitivity analysis for impairment assessment by reducing the cash flow growth rate and terminal growth rate, and increasing the discount rate within a reasonably foreseeable range.

For personal use only

Key audit matter	How our audit addressed the key audit matter
Estimation of override commission revenue *(Refer to note 1 (c)(iii) and note 35 (d)(ii))* 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. These factors include: • 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; • 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. 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. 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. 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. 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.	We evaluated management's estimates and judgements in determining revenue recognised in relation to override 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. For override commission revenue that is cash settled during the period our testing included the following, performed on a sample basis: • Traced override commission revenue to cash receipts. • Obtained a copy of the supplier contracts and reconciled the eligible revenue and commission rates to override commission revenue calculations. 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: • Obtained a copy of the supplier contracts outlining the eligible revenue and commission rates, and compared this to the rates used in the calculations. • Obtained the most recent supplier statement confirming eligible travel and reconciled this to the calculations. • Agreed the underlying revenue data used in the override commission revenue calculations to independent third party booking information. • Assessed the accuracy of future estimates through evaluating the forecast Group sales of the third party's products compared to historical actuals. • 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.

For personal use only



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Chairman's Report, Chief Executive Officer's Report, Financial Performance Summary, Directors' Report, Corporate Governance Statement and ASX additional information, 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 *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 have 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.

For personal use only

pwc

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 34 to 43 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Helloworld Travel Limited for the year ended 30 June 2018 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

Melbourne
21 August 2018

For personal use only

ASX ADDITIONAL INFORMATION

Additional information required by ASX and not shown elsewhere in this report is as follows. The information is current as at 4 September 2018.

(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	1,094	564,496	0.45
1,001 - 5,000	666	1,573,119	1.26
5,001 - 10,000	99	745,067	0.60
10,001 - 100,000	141	4,203,210	3.38
100,001 and over	45	117,422,184	94.31
TOTAL	**2,045**	**124,508,076**	**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 4 September 2018 was 93 holders holding 2,177 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	22,068,997	17.72
Q H TOURS LTD	21,223,454	17.05
THE BURNES GROUP PTY LTD	18,490,105	14.85
MR ANDREW JAMES BURNES	12,899,381	10.36
MRS CINZIA BURNES	12,638,014	10.15
CITICORP NOMINEES PTY LIMITED	7,328,375	5.89
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,094,206	4.89
NATIONAL NOMINEES LIMITED	3,981,305	3.20
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,475,060	1.99
MR JOHN ARMOUR & MS ROSALIE VAUGHAN	1,000,000	0.80
BNP PARIBAS NOMS PTY LTD	983,591	0.79
JAMEA INVESTMENTS PTY LTD	781,773	0.63
ANDREW SYDNEY JONES & KAREN LISA JONES	781,773	0.63
TREVOR EDWARD JONES & SONIA LEE JONES	781,773	0.63
NATIONAL NOMINEES LIMITED <DB>	626,000	0.50
MICHAEL BURNETT	500,000	0.40
MR JOHN CONSTABLE	500,000	0.40
BNP PARIBAS NOMINEES PTY LTD	307,655	0.25
THE HONOURABLE JOSEPH HOCKEY	227,904	0.18
MAPLESTONE PTY LTD	226,597	0.18
	113,915,963	**91.49**

For personal use only

(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	17.72
QH TOURS LTD	21,223,454	17.05
THE BURNES GROUP PTY LTD	18,490,105	14.85
MR ANDREW JAMES BURNES	12,899,381	10.36
MRS CINZIA BURNES	12,638,014	10.15





For personal use only

helloworldlimited.com.au

ABN: 60 091 214 998 **ASX CODE:** HLO