

Webjet Limited  
And Controlled Entities



## **Webjet Limited**

**ABN 68 002 013 612**

**Annual report for the financial year ended 30 June 2015**

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## Corporate information

| Registered Office  | Share Registry   |
|--|--|
| Level 2<br>509 St Kilda Road<br>Melbourne Vic 3004<br>Phone: (03) 9820 9214<br>Email: <a href="mailto:webjet@webjet.com.au">webjet@webjet.com.au</a> | Computershare Investor Services Pty Ltd<br>Level 5<br>115 Grenfell Street<br>Adelaide SA 5000<br>Phone: (08) 8236 2300 |

| Principal Administrative Office                    | Company Secretary  |
|--|--|
| Level 2<br>509 St Kilda Road<br>Melbourne Vic 3004 | Michael Sheehy<br>Level 2<br>509 St Kilda Road<br>Melbourne Vic 3004 |

| Solicitors   | Auditors   |
|--|--|
| Minter Ellison<br>525 Collins Street<br>Melbourne Vic 3001 | BDO Audit (SA) Pty Ltd<br>Level 7, BDO Centre<br>420 King William Street<br>Adelaide SA 5000 |

| Principal bankers  | Internet Address   |
|--|--|
| National Australia Bank<br>Level 30, 500 Bourke Street<br>Melbourne Vic 3000 | <a href="http://www.webjet.com.au">www.webjet.com.au</a> |
| HSBC<br>Level 10, 333 Collins Street<br>Melbourne Vic 3000                   |  |

## Directors' report

The directors of Webjet Limited submit herewith the annual financial report of the company and controlled entities (the Consolidated Entity) for the financial year ended 30 June 2015. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### Information about the directors

The names and particulars of the directors of the company during or since the end of the financial year are:

**David Clarke**

(Non-Executive Chairman)

Held senior management positions with the Jetset travel Consolidated Entity from 1977 to 1995. He is regarded as pioneering the introduction of wholesale packaging through distribution access in Australia and overseas, the development of an integrated franchise structure and one of the highest ranking travel brands in Australia in the 1990s. David was Managing Director of Webjet from 1999 to January 2011.

**John Guscic**

**BEC, MBA**

(Managing Director)

Former Chief Commercial Officer of GTA (a Travelport company). He has been instrumental in identifying and shaping new business ventures, forging strong, strategic relationships and managing both multinational and local customer retention and growth. Prior to Travelport, he founded his own successful strategic consultancy advising internet start-ups. Prior to his appointment as MD in February 2011, John was a director of Webjet from 2006.

**Don Clarke**

**LLB (Hons)**

(Non-Executive Deputy Chairman)

Don is a consultant with the law firm, Minter Ellison, having recently retired after 27 years as a corporate partner of the firm. He has extensive commercial law and business experience from over 30 years advising ASX listed and private companies across a broad range of industries on corporate law, governance and investment issues. He has been associated with Webjet in his capacity as a legal adviser or director for over 15 years. Don is also a director of the ASX listed investment company, Contango Income Generator Limited, and several other private companies.

**Steven Scheuer**

**BBus (Acc), CPA**

(Non-Executive Director)

After spending a number of years in public accounting practice, he established his own manufacturing and importing business using strong and well known clothing brand labels throughout Australia and New Zealand.

**Roger Sharp**

**BA LLB**

(Non-Executive Director)

Roger Sharp has more than 25 years' experience in investing, financing and running growth companies in global markets. Based in Singapore, he currently serves as a Director or Chairman of several companies including Asia Pacific Digital Limited.

**Brad Holman**

**BCom**

(Non-Executive Director)

Has over 20 years' experience working in and providing services to the travel industry, including President for Travelport's Asia Pacific, Europe, Middle East and African operations. Currently holds the role of President-International Business Unit for Blackbaud, a publicly listed US technology company.

### Principal Activities

The principal activity of the Consolidated Entity is the provision of online travel booking. The Consolidated Entity's business consists of a B2C division (comprising the Webjet and ZUJI brands) and a B2B division (comprising the Lots of Hotels and SunHotels brands).

### Review of Operations

During the year the company experienced a growth in total transaction value of \$299 million from \$967 million to \$1,266 million, representing a 31% increase over FY14. The net impact of the SunHotels acquisition and divestment of the controlling interest in Webjet Marketing North America LLC was a positive \$102 million contribution to the growth in total transaction value.

During the year, revenue increased by \$20.5 million to \$119.1 million, representing a 21% increase. The revenue margin at 9.4% (FY14: 10.2%) reflects a change in the company's business mix due to the growing B2B operations, as well as margin pressure experienced in ZUJI's Asian operations.

Operating costs increased by 21% to \$91.3 million and included \$1.1 million one-off costs associated with the acquisition of SunHotels and a \$1.9m loss due to foreign exchange depreciation impacting SunHotels, which with appropriate hedging is not expected to recur.

EBITDA increased by \$4.6 million to \$27.9 million, representing a 20% increase. Excluding the SunHotels acquisition costs and foreign exchange depreciation loss, the underlying EBITDA increased by \$7.6 million to \$30.9 million, representing a 45% increase.

The \$1.9 million increase in depreciation and amortisation to \$4.7 million was influenced by SunHotels, with an in-house developed hotel transaction platform and property assets.

The SunHotels acquisition resulted in a \$0.8 million increase in financing costs to \$1.0m (FY14: \$0.2 million).

Profit before tax was \$23.2 million (FY14: \$21.1 million) and net profit after tax was \$17.5 million (FY14: \$19.1 million), with the net profit after tax influenced by higher contribution of earnings from Australia and the SunHotels European businesses.

|                                 | 30 June 2015 | 30 June 2014 | 30 June 2013 | 30 June 2012 | 30 June 2011 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total transaction value (000's) | 1,266        | 997          | 884          | 768          | 592          |
| B2C bookings (000's)            | 1,339        | 1,177        | 1,209        | 1,055        | 902          |
| B2B bookings (000's)            | 307          | 61           | 7            | -            | -            |
| Net profit before tax (\$ M)    | 23.2         | 21.1         | 11.4         | 19.3         | 15.4         |
| Net profit after tax (\$ M)     | 17.5         | 19.1         | 6.5          | 13.6         | 11.0         |
| Operating cash flow (\$ M)      | 35.4         | 3.4          | 24.5         | 17.7         | 14.7         |

By business segment:

- B2C TTV increased by \$158 million to \$1,038 million an increase of 18%. EBITDA from continuing operations increased 8.4% to \$24.0m.
- B2B TTV increased by \$172 million to \$228 million an increase of 305%, due in part to the acquisition of SunHotels. EBITDA increased by \$4.1 million to \$3.9 million.

As at 30 June 2015, cash and equivalents were \$76.2 million (FY14: \$51.8 million). Client funds included in cash and equivalents were \$18.3m (FY14: \$18.8m).

### Changes in state of affairs

On 1 July 2014 Webjet purchased the SunHotels Group for € 18.2 million (\$A 26 million). The acquisition was 100% debt funded through an unsecured bank loan. Adjusting for the one off acquisition costs and foreign exchange depreciation losses, the EBITDA contribution from this acquisition was \$4.7 million. Pre-acquisition, SunHotels generated EBITDA in the vicinity of \$A3.75m per annum.

Further information can be found in notes 34 and 38.

There were no further significant changes in the state of affairs of the Consolidated Entity during the financial year.

### Future developments

Further information on likely developments in the operations of the Consolidated Entity and the expected results of those operations has not been included in this financial report because the directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

### Subsequent events

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

### Dividends

The final dividend for the year ended 30 June 2014 of \$0.0725 per share fully franked to 100% was paid on 17 October 2014. The total payment was \$5.76 million. An interim dividend for the year ended 30 June 2015 of \$0.0625 per share fully franked totalling \$5.02 million was paid on 11 April 2015. A final dividend of \$0.0725 per share, fully franked to 100% has been declared by the directors for payment on 15 October 2015 totalling \$5.83 million.

### Shares under option

During the financial year, the following share-based payment arrangements were in existence:

| Options series             | Number    | Grant date | Expiry date | Exercise price<br>\$ | Fair value at grant date<br>\$ | Vesting date |
|----------------------------|-----------|------------|-------------|----------------------|--------------------------------|--------------|
| John Guscic – Tranche 1(a) | 500,000   | 19/10/2011 | 30/06/2015  | \$2.60               | \$0.22                         | 1/09/2012    |
| John Guscic – Tranche 1(b) | 500,000   | 19/10/2011 | 30/06/2015  | \$2.60               | \$0.22                         | 1/09/2012    |
| John Guscic – Tranche 2(a) | 500,000   | 19/10/2011 | 30/06/2016  | \$3.10               | \$0.20                         | 1/09/2013    |
| John Guscic – Tranche 2(b) | 500,000   | 19/10/2011 | 30/06/2016  | \$3.10               | \$0.20                         | 1/09/2013    |
| John Guscic – Tranche 3(a) | 500,000   | 19/10/2011 | 30/06/2017  | \$3.80               | \$0.22                         | 1/09/2014    |
| John Guscic – Tranche 3(b) | 500,000   | 19/10/2011 | 30/06/2017  | \$3.80               | \$0.22                         | 1/09/2014    |
| John Guscic – Tranche 1(c) | 1,000,000 | 13/11/2013 | 30/06/2018  | \$5.00               | \$0.14                         | 30/06/2015   |
| John Guscic – Tranche 2(c) | 1,000,000 | 13/11/2013 | 30/06/2019  | \$5.50               | \$0.16                         | 30/06/2016   |
| John Guscic – Tranche 3(c) | 1,000,000 | 13/11/2013 | 30/06/2020  | \$6.00               | \$0.21                         | 30/06/2017   |

- 1,000,000 options granted to John Guscic under Tranche 1(a) and tranche 1(b) have been exercised on the 25 February 2015 at an exercise price of \$2.60. The share price at date of exercise was \$3.83. The value of the options exercised by John Guscic was \$1,230,000.
- 500,000 options were granted to John Guscic during 2011 as part of his remuneration that would have vested on 1 September 2014 had various performance conditions been met. These options lapsed because performance conditions had not been met by 1 September 2014.

The holder of these options does not have the right, by virtue of the option, to participate in any share issue or interest issue of the company or of any other body corporate or registered scheme.

### Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. To the extent permitted by law, the company has agreed to indemnify each of its officers and the officers of its related bodies corporate against any liability incurred as such an officer.

### Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 10 Board meetings, 2 Nomination and Remuneration Committee meetings, 3 Audit Committee meetings and 8 Risk Management Committee meetings were held.

| Directors      | Board of directors |          | Nomination and remuneration committee |          | Audit Committee |          | Risk Management Committee |          |
|----------------|--------------------|----------|---------------------------------------|----------|-----------------|----------|---------------------------|----------|
|                | Held               | Attended | Held                                  | Attended | Held            | Attended | Held                      | Attended |
| David Clarke   | 10                 | 10       | 2                                     | 2        | -               | -        | 8                         | 8        |
| John Guscic    | 10                 | 10       | -                                     | -        | -               | -        | -                         | -        |
| Don Clarke     | 10                 | 9        | 2                                     | 2        | -               | -        | 8                         | 8        |
| Allan Nahum    | 5                  | 4        | -                                     | -        | -               | -        | -                         | -        |
| Steven Scheuer | 10                 | 10       | -                                     | -        | 3               | 3        | -                         | -        |
| Roger Sharp    | 10                 | 10       | -                                     | -        | 3               | 3        | -                         | -        |
| Brad Holman    | 10                 | 10       | -                                     | -        | 3               | 3        | -                         | -        |

### Non-audit services

No non-audit services were provided during the current or prior year by the auditor.

### **Auditors' independence declaration**

The auditors' independence declaration has been received and is included on page 15 of the annual report.

### **Rounding off of amounts**

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in those directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### **Audited remuneration report**

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Webjet Limited's directors and its senior management for the financial year ended 30 June 2015. The term 'key management personnel' refers to those having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Consolidated Entity.

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel;
- remuneration policy;
- relationship between the remuneration policy and company performance;
- remuneration of key management personnel; and
- service and employment agreements of key executives

### **Key management personnel**

The directors and other key management personnel of the Consolidated Entity during or since the end of the financial year were:

- David Clarke (Non-Executive Chairman)
- John Guscic BEc, MBA (Managing Director)
- Don Clarke LLB (Hon) (Non-Executive Deputy Chairman)
- Allan Nahum FCA, FICD, AAISA, (Non-Executive Director). Resigned on 26/11/2014
- Steven Scheuer BBus (Acc) (Non-Executive Director)
- Roger Sharp BA LLB (Non-Executive Director)
- Brad Holman BCom (Non-Executive Director)
- Shelley Beasley BA (Comm), GradDipBusIntStrLship – (Chief Operating Officer)
- Michael Sheehy BEc ACA (Chief Financial Officer)

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

### **Remuneration Policy**

The Consolidated Entity's remuneration policy seeks to ensure that:

- it is able to attract and retain management and operating staff with a particular and specialised mix of marketing, commercial and technical skills appropriate for its business plan. This blend of skills is sought from a competitive environment where there is limited supply.
- remuneration is competitive with the appropriate incentives for continued employment, which, in turn, is an important component in the protection of the Consolidated Entity's intellectual property which provides part of the Consolidated Entity's competitive edge.
- the interests of management and general operating staff reflect a close alignment with the interests of shareholders.

Accordingly, the Consolidated Entity has in place a range of incentive programs at all levels, relative to certain KPIs which relate to quality standards, cost management and budget achievement.

The company does not subscribe, at senior level, to the philosophy of excessive 'at risk components' at a cash salary level and considers a more appropriate methodology is to limit the 'at risk component' to a meaningful but not excessive level. Put more succinctly, it considers total employment should be 'at risk' if performance does not deliver prescribed results.

The company monitors remuneration levels through industry comparisons, market intelligence and comparative data of publicly listed companies.

### Relationship between the remuneration policy and company performance

The financial and business performance of the Consolidated Entity (of which the overall earnings and performance of the Consolidated Entity compared to its budgets and prior years is an important part) is a material factor in the determination of the nature and amount (or value, as appropriate) of the remuneration of the key management personnel. However, while the Board does have regard for, and is extremely cognisant of the need to drive shareholder wealth and value through improved year on year performance and the payment of dividends (or returns of capital), as there are many and varied factors that affect (positively or negatively):

- the market price of the Company's shares; and
- its ability to pay dividends or make returns of capital,

Neither the actual shareholder wealth generated in a financial year nor the relationship, if any, between the Consolidated Entity's performance and the actual shareholder wealth generated in that, financial results are important factors in determining the remuneration policies and/or overall remuneration of the key management personnel in any year.

|                       | 30 Jun<br>2015<br>\$'000 | 30 Jun<br>2014<br>\$'000 | 30 Jun<br>2013<br>\$'000 | 30 Jun<br>2012<br>\$'000 | 30 Jun<br>2011<br>\$'000 |
|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Revenue               | 119,143                  | 98,644                   | 74,772                   | 57,719                   | 43,548                   |
| Net profit before tax | 23,188                   | 21,079                   | 11,443                   | 19,297                   | 15,386                   |
| Net profit after tax  | 17,500                   | 19,127                   | 6,484                    | 13,613                   | 11,006                   |

|                              | 30 Jun<br>2015 | 30 Jun<br>2014 | 30 Jun<br>2013 | 30 Jun<br>2012 | 30 Jun<br>2011 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Share price at start of year | \$2.42         | \$4.45         | \$3.38         | \$2.00         | \$1.88         |
| Share price at end of year   | \$2.99         | \$2.42         | \$4.45         | \$3.38         | \$2.00         |
| Interim dividend             | 6.25cps        | 6.25cps        | 6.0cps         | 6.0cps         | 5.0cps         |
| Final dividend               | 7.25cps        | 7.25cps        | 7.0cps         | 7.0cps         | 6.0cps         |
| Basic earnings per share     | 21.95          | 24.24          | 8.74           | 18.81          | 14.41          |
| Diluted earnings per share   | 21.93          | 24.18          | 8.66           | 18.79          | 14.33          |

### Remuneration of key management personnel

The remuneration tables below are prepared on an accruals basis for bonuses as required by Corporations Regulation 2M.3.03(4).

|                                | Short-term incentives |         | Post-employment benefits | Share-based payments | Total            |
|--------------------------------|-----------------------|---------|--------------------------|----------------------|------------------|
|                                | Salary & fees         | Bonus   | Superannuation           | Options & rights     |                  |
| 2015                           | \$                    | \$      | \$                       | \$                   | \$               |
| <b>Non-executive directors</b> |                       |         |                          |                      |                  |
| David Clarke                   | 167,650               | -       | 33,600                   | -                    | 201,250          |
| Don Clarke                     | 83,085                | -       | 7,893                    | -                    | 90,978           |
| Allan Nahum                    | 31,250                | -       | 2,969                    | -                    | 34,219           |
| Steven Scheuer                 | 47,128                | -       | 4,477                    | -                    | 51,605           |
| Roger Sharp                    | 80,500                | -       | 0                        | -                    | 80,500           |
| Brad Holman                    | 61,008                | -       | 5,796                    | -                    | 66,804           |
|                                |                       |         |                          |                      | <b>525,356</b>   |
| <b>Executive officers</b>      |                       |         |                          |                      |                  |
| John Guscic                    | 838,130               | 575,000 | 35,000                   | 114,390              | 1,562,520        |
| Shelley Beasley                | 359,099               | 99,334  | 11,853                   | -                    | 470,286          |
| Michael Sheehy                 | 289,033               | 47,473  | 27,458                   | -                    | 363,964          |
|                                |                       |         |                          |                      | <b>2,396,770</b> |

| 2014                           | Short-term incentives |       | Post-employment benefits | Share-based payment | Total            |
|--------------------------------|-----------------------|-------|--------------------------|---------------------|------------------|
|                                | Salary & fees         | Bonus | Superannuation           | Options & rights    |                  |
|                                | \$                    | \$    | \$                       | \$                  | \$               |
| <b>Non-executive directors</b> |                       |       |                          |                     |                  |
| David Clarke                   | 167,200               | -     | 32,800                   | -                   | 200,000          |
| Don Clarke                     | 82,569                | -     | 7,638                    | -                   | 90,207           |
| Allan Nahum                    | 40,000                | -     | 35,000                   | -                   | 75,000           |
| Steven Scheuer                 | 45,766                | -     | 4,234                    | -                   | 50,000           |
| Roger Sharp                    | 80,000                | -     | -                        | -                   | 80,000           |
| Brad Holman                    | 17,077                | -     | 1,580                    | -                   | 18,657           |
|                                |                       |       |                          |                     | <b>513,864</b>   |
| <b>Executive officers</b>      |                       |       |                          |                     |                  |
| John Guscic                    | 676,084               | -     | 25,000                   | 283,127             | 984,211          |
| Shelley Beasley                | 370,355               | -     | 11,111                   | -                   | 381,466          |
| Robert Turner                  | 43,292                | -     | 4,005                    | -                   | 47,297           |
| Michael Sheehy                 | 223,613               | -     | 20,684                   | -                   | 244,297          |
|                                |                       |       |                          |                     | <b>1,657,271</b> |

The ongoing share based payment expense is performance related. The share-based payments make up 36.8% (2014: 28.8%) of John Guscic's total salary.

#### Bonuses

For the key management personnel, a cash bonus plan is in place based upon the Consolidated Entity achieving the Board approved budget for the full year. As the cash budget for year ended 30 June 2015 was achieved, bonuses were paid to key executives in line with their respective employment contracts.

The schedule of bonuses below outlines the bonuses payable to the Key Management Personnel after the reporting periods. 100% of these bonuses payable will vest with the employees.

|                 | Total Cash Bonus at Risk | Achievement of 2015 Budget | Discretionary Performance Bonus | Total Bonus | Performance Related |
|-----------------|--------------------------|----------------------------|---------------------------------|-------------|---------------------|
|                 | \$                       | \$                         | \$                              | \$          | %                   |
| John Guscic     | 780,000                  | 475,000                    | 100,000                         | 575,000     | 73.7%               |
| Shelley Beasley | 106,675                  | 99,334                     | -                               | 99,334      | -                   |
| Michael Sheehy  | 50,483                   | 47,473                     | -                               | 47,473      | -                   |

|           | Agreement Date | Term (Years) | Notice Period | Termination Payment         | Base Salary (Inc. Superannuation) \$ | Salary at Risk \$ | Possible Total \$ |
|-----------|----------------|--------------|---------------|-----------------------------|--------------------------------------|-------------------|-------------------|
| J Guscic  | 1-Feb-14       | 3.4          | 6 Months      | 12 months in lieu of notice | 850,000                              | 780,000           | 1,630,000         |
| S Beasley | 21-Mar-11      | rolling      | 6 Months      | 6 months in lieu of notice  | 426,699                              | 106,675           | 533,374           |
| M Sheehy  | 25-Nov-13      | rolling      | 3 Months      | 3 months in lieu of notice  | 336,556                              | 50,483            | 387,039           |

#### Key management personnel remuneration philosophy

The board monitors and reviews the performance of executive directors as well as the performance of key senior management. The Board receives regular updates on the performance of the Consolidated Entity as a whole. The Chairman of the company endeavours to implement change at a Board level to incorporate recommendations that flow out of this review process. The company has in place a Nomination and Remuneration Committee which seeks to ensure that the Consolidated Entity's remuneration levels are appropriately aimed at delivering maximum benefit for the Consolidated Entity. The Nomination and Remuneration Committee has responsibility for ensuring that the Consolidated Entity:

- Has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards executives having regard to the performance of the Consolidated Entity, the performance of the executives and the general pay environment.

### Remuneration Committee

The current members of the Nomination and Remuneration Committee are the independent directors Don Clarke and David Clarke. The Committee may if considered necessary, receive external assistance and advice to assist it in determining appropriate levels of remuneration for the directors of the Company. No remuneration consultant services have been engaged during the financial year.

### Senior Management and Executive Director Remuneration

The Consolidated Entity aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities and so as to:

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Remuneration consists of the following key elements:

- fixed remuneration; and
- incentive remuneration in the form of performance and retention bonuses.

The proportion of fixed remuneration and variable remuneration is established for each executive by the Managing Director. The proportion of fixed remuneration and variable remuneration is established for the Managing Director by the Nomination and Remuneration Committee.

### Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. When setting fees for individual directors, account is taken of the responsibilities inherent in stewardship of the Consolidated Entity and the demands made of directors in the discharge of their responsibilities.

### Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee in consultation with the Managing Director. The process consists of a review of company-wide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Senior executives are given the opportunity to receive their fixed (primary) remuneration as either cash or superannuation. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

### Variable remuneration

The company has implemented a bonus plan based on the performance of the business exceeding the annual budget.

### Key management and directors equity holdings

The following shares are either held directly or via an associated party.

#### Fully paid ordinary shares of Webjet Limited

| 2015            | Balance at 30 June 2014<br>No. | Granted as compensation<br>No. | Received on exercise of options<br>No. | No.         | Balance at 30 June 2015<br>No. |
|-----------------|--------------------------------|--------------------------------|--|-------------|--------------------------------|
| David Clarke    | 9,000                          | -                              | -                                      | -           | 9,000                          |
| John Guscic     | 109,169                        | -                              | 1,000,000                              | (1,000,000) | 109,169                        |
| Don Clarke      | 10,000                         | -                              | -                                      | 10,000      | 20,000                         |
| Steven Scheuer  | 4,476,254                      | -                              | -                                      | -           | 4,476,254                      |
| Roger Sharp     | 90,000                         | -                              | -                                      | -           | 90,000                         |
| Brad Holman     | -                              | -                              | -                                      | 15,000      | 15,000                         |
| Shelley Beasley | 100,516                        | -                              | -                                      | -           | 100,516                        |
| Michael Sheehy  | -                              | -                              | -                                      | -           | -                              |

**Share options of Webjet Limited**

|             | Balance at 30 June 2014 | Granted as compensation | Exercised | Forfeited | Bal at 30 June 2015 | Bal vested at 30 June 2015 | Vested but not exercisable | Vested and exercisable | Options vested during year |
|-------------|-------------------------|-------------------------|-----------|-----------|---------------------|----------------------------|----------------------------|------------------------|----------------------------|
|             | No.                     | No.                     | No.       | No.       | No.                 | No.                        | No.                        | No.                    | No.                        |
| <b>2015</b> |                         |                         |           |           |                     |                            |                            |                        |                            |
| John Guscic | 6,000,000               | -                       | 1,000,000 | 500,000   | 4,500,000           | 2,500,000                  | -                          | 2,500,000              | 1,500,000                  |

**Employee share option plan**

| Options series                          | Number    | Grant date | Expiry date | Exercise price \$ | Fair value at grant date \$ | Vesting date | Vesting condition                  |
|---|-----------|------------|-------------|-------------------|-----------------------------|--------------|------------------------------------|
| John Guscic – Tranche 1(a) <sup>1</sup> | 500,000   | 19/10/2011 | 30/06/2015  | \$2.60            | \$0.22                      | 1/09/2012    | Achievement of FY12 Budget         |
| John Guscic – Tranche 1(b) <sup>1</sup> | 500,000   | 19/10/2011 | 30/06/2015  | \$2.60            | \$0.22                      | 1/09/2012    | Progressive - remain in employment |
| John Guscic – Tranche 2(a)              | 500,000   | 19/10/2011 | 30/06/2016  | \$3.10            | \$0.20                      | 1/09/2013    | Achievement of FY13 Budget         |
| John Guscic – Tranche 2(b)              | 500,000   | 19/10/2011 | 30/06/2016  | \$3.10            | \$0.20                      | 1/09/2013    | Progressive - remain in employment |
| John Guscic – Tranche 3(a) <sup>2</sup> | 500,000   | 19/10/2011 | 30/06/2017  | \$3.80            | \$0.22                      | 1/09/2014    | Achievement of FY14 Budget         |
| John Guscic – Tranche 3(b)              | 500,000   | 19/10/2011 | 30/06/2017  | \$3.80            | \$0.22                      | 1/09/2014    | Progressive - remain in employment |
| John Guscic – Tranche 1(c)              | 1,000,000 | 13/11/2013 | 30/06/2018  | \$5.00            | \$0.14                      | 30/06/2015   | Progressive - remain in employment |
| John Guscic – Tranche 2(c)              | 1,000,000 | 13/11/2013 | 30/06/2019  | \$5.50            | \$0.16                      | 30/06/2016   | Progressive - remain in employment |
| John Guscic – Tranche 3(c)              | 1,000,000 | 13/11/2013 | 30/06/2020  | \$6.00            | \$0.21                      | 30/06/2017   | Progressive - remain in employment |

- 1- 1,000,000 options granted to John Guscic under Tranche 1(a) and tranche 1(b) have been exercised on the 25 February 2015 at an exercise price of \$2.60. The share price at date of exercise was \$3.83. The value of the options exercised by John Guscic was \$1,230,000.
- 2- 500,000 options were granted to John Guscic during 2011 as part of his remuneration that would have vested on 1 September 2014 had various performance conditions been met. These options lapsed because performance conditions had not been met by 1 September 2014.

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

On exercise, each option will result in the issue of one ordinary share of Webjet Limited.

**Transactions with key management personnel**

There were no transactions or loans between the company and key management personnel other than those disclosed above in the Remuneration Report.

**Transactions with other related parties**

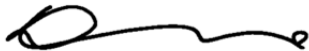
Minter Ellison Lawyers of which Don Clarke is a principal was paid a total \$564,645 (2014: \$426,469) during the year. All transactions were conducted on a commercial arm's length basis and charged accordingly.

PT. AbdiTeknologiInformasi (ATI) of which Brad Holman is a director was paid a total of \$94,902 (2014: \$37,255) during the year. All transactions were conducted on a commercial arm's length basis and charged accordingly.

APD Acquire Pty Ltd formerly known as Deal Group Media Pty Ltd, a subsidiary of Asia Pacific Digital Limited of which Roger Sharp is a director was paid \$76,130 (2014: \$nil) during the year. All transactions were concluded on a commercial arm's length basis and charged accordingly.

**End of audited Remuneration Report**

Signed in accordance with a resolution of the directors made pursuant to s.298 (2) of the *Corporations Act 2001*.  
On behalf of the directors



**David Clarke (Chairman)**  
**19 August 2015**

## Corporate governance statement

The Board of Directors are responsible for corporate governance of the company and its controlled entities. The Board considers good corporate governance a matter of high importance and aims for best practice in the area of corporate governance. This section describes the main corporate governance practices of the company.

In reviewing the corporate governance structure of the Consolidated Entity, the Board has reviewed and considered the ASX Corporate Governance Councils' recommendations. Comment is made where key principles are not followed due to the size and nature of the Consolidated Entity.

### Board Responsibilities

**The Board's key responsibilities are:**

- oversight of the operation of the Consolidated Entity including establishing, reviewing and changing corporate strategies;
- ensuring that appropriate internal control, reporting, risk management and compliance frameworks are in place;
- appointing, removing, reviewing and monitoring the performance of the Managing Director to whom the Board have delegated the day to day management of the Consolidated Entity;
- approval of the annual report (including the financial report), the budget and the business plan of the Consolidated Entity;
- regular (at present at least monthly) review of the Consolidated Entity's performance against the budget and the business plan;
- approving material contractual arrangements including all major investments and strategic commitments;
- making decisions concerning the Consolidated Entity's capital structure, the issue of any new securities and the dividend policy;
- establishing and monitoring appropriate committees of the Board including the Audit and Risk Committee and the Nomination and Remuneration Committee;
- reporting to shareholders; and
- ensuring the Consolidated Entity's compliance with all legal requirements including the ASX Listing Rules.

### Structure of Board

The maximum number of directors provided for by the Company's constitution is fifteen and the Company currently has six directors on the Board. A director may be appointed by resolution passed at a general meeting or, in the case of casual vacancies, by the directors.

Potential additions to the Board are carefully considered by the Board prior to being nominated to shareholders or appointed as casual vacancies. The skills, experience and expertise of each of the directors are set out in the first section of the Annual Report.

The Board currently has five non-executive directors being David Clarke (Chairman), Don Clarke (Deputy Chairman), Steven Scheuer, Roger Sharp and Brad Holman. The current Board is sufficiently balanced to protect the interests of shareholders. The Company facilitates and pays for directors and committee members to obtain professional independent advice if they require it.

### Code of Conduct

The Consolidated Entity has a Code of Conduct as well as a number of internal policies and operating procedures aimed at providing guidance to directors, senior management and employees on the standards of personal and corporate behaviour required of all personnel. The Code of Conduct covers specific issues such as trading in Company securities by directors, officers and employees and also provides guidance on how to deal with business issues in a manner that is consistent with the Company's responsibilities to its shareholders.

## **Risk Committee**

The Board has appointed a Risk Committee that operates under a charter approved by the Board. The purpose of the Risk Committee is to provide an oversight across the Group for all categories of risk. In this role, the Risk Committee has delegated authority from the Board to approve and oversee the processes used to identify, evaluate and manage risk. At its discretion, the Risk Committee may make recommendations to the Board, including recommendations relating to the Group's risk appetite; and to assist the Board to understand the risks faced by the Group.

Responsibilities include:

- the identification, assessment and management of risk;
- monitoring the adherence to internal risk management policies and procedures; and
- oversight of compliance systems, including legal, licensing and regulatory compliance processes developed by management.

Where appropriate, liaise with the Audit Committee and:

- review issues raised by external Audit and, if applicable, internal audit processes that impact the risk management framework or the Group's risk management;
- review and make recommendations to the Board on draft statutory statements covering governance and risk management issues in accordance with the requirements of the applicable regulators; and
- direct any special investigations deemed necessary and engage and consult independent experts where considered necessary or desirable to carry out its duties and rely on the advice of such experts.

The members of the Risk Committee at the date of this annual report are David Clarke (Chairman) and Don Clarke (Deputy Chairman).

## **Audit Committee**

The Board has appointed an Audit Committee that operates under a charter approved by the Board.

The Committee provides a direct link between the Board and the external audit function. The Committee is responsible for reviewing and reporting to the Board that:

- the system of internal control which management has established effectively safeguards the assets of the Consolidated Entity;
- accounting records are properly maintained in accordance with statutory requirements;
- financial information provided to shareholders is compliant with applicable International Financial Reporting Standards; and
- the external audit function is effective.

The Committee is responsible for the appointment of the external auditor and ensures that the incumbent firm (and the responsible service team) has suitable qualifications and experience to conduct an effective audit. The external audit engagement and quality review partners will be required to rotate every five balance dates.

The Audit Committee meets as required to review the half-year and annual results of the Consolidated Entity, and to review the audit process, and those representations made by management in support of monitoring the Consolidated Entity's commitment to integrity in financial reporting. The Managing Director, the Chief Financial Officer and the external auditors are invited to attend meetings of the Committee at the discretion of the Committee.

The members of the Audit Committee at the date of this annual report are Brad Holman (Chairman of the Committee), Steven Scheuer and Roger Sharp.

## **Nomination and Remuneration Committee Charter**

The Nomination and Remuneration Committee is a committee of the Board of directors of Webjet Limited. The role of the Nomination and Remuneration Committee is not an executive role. The role of the Committee is to help the Board achieve its objective to ensure the company:

- has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards executives having regard to the performance of the Consolidated Entity, the performance of the executives and the general pay environment.

The Nomination and Remuneration Committee is responsible for:

- identifying and recommending to the Board, nominees for membership of the Board;
- identifying and assessing the necessary and desirable competencies and characteristics for Board membership and regularly assessing the extent to which those competencies and characteristics are represented on the Board;
- developing and implementing processes to identify and assess necessary and desirable competencies and characteristics for Board members; and
- ensuring succession plans are in place to maintain an appropriate balance of skills on the Board and reviewing those plans.

Executive remuneration and incentive policies and practices are performance based and aligned with the Consolidated Entity's vision, values and overall business objectives. In effect, the Committee must give appropriate consideration to the Consolidated Entity's performance and objectives, employment conditions and remuneration relativities.

## **Disclosure**

The Consolidated Entity's policy is that shareholders are informed of all major developments that impact on the Consolidated Entity. The Consolidated Entity treats its continuous disclosure obligations seriously and has a number of internal operating policies and principles (including the Code of Conduct referred to above) that are designed to promote responsible decision-making and timely and balanced disclosure.

The Board is ultimately responsible for ensuring compliance by senior management and employees of the Consolidated Entity with the Consolidated Entity's policies and therefore requires that senior management and employees have an up to date understanding of ASX listing requirements. The Company also ensures that the directors and senior management obtain timely and appropriate external advice where necessary.

The Company currently places all relevant announcements made to the market including all past annual reports and policies including corporate governance together with related information on its website: [www.webjet.com.au/About](http://www.webjet.com.au/About).

Additionally, the Company ensures that its external auditor is represented at the annual general meeting to answer shareholder questions about the conduct of the audit and the preparation of the auditor's report.

## **Performance and Remuneration**

The Board reviews the performance of the executive director as well as the performance of key senior management. The Board receives regular updates of the performance of the Consolidated Entity as a whole.

The Chairman of the Company endeavors to implement change at a Board level to incorporate recommendations that flow out of this review process.

As previously stated, the Company has in place a Nomination and Remuneration Committee which seeks to ensure that the Consolidated Entity's remuneration levels are appropriate and aimed at delivering the maximum benefit for the Consolidated Entity.

The current members of the Nomination and Remuneration Committee are Don Clarke and David Clarke. The Committee receives external assistance and advice to assist it in determining appropriate levels of remuneration for the directors of the Company. The Managing Director is invited to attend meetings of the Committee at the discretion of the Committee.

Remuneration details of each of the directors and senior management are set out in the 'Remuneration Report' section of the Directors' Report.

## **Diversity**

Workplace diversity refers to the variety of differences between people in an organisation. Diversity encompasses, among a range of matters, differences in gender, race, ethnicity, age, disability and cultural background. Webjet believes that embracing and leveraging diversity in its workforce contributes to the achievement of its corporate objectives and enhances its reputation. It enables Webjet and its controlled entities to:

- recruit the right people from a diverse pool of talented candidates;
- retain and develop an appropriate skills base within the Consolidated Entity make more informed and innovative decisions, drawing on the wide range of ideas, experiences, approaches and perspectives that employees from diverse backgrounds, and with differing skill sets, bring to their roles in Webjet; and
- better represent the diversity of all stakeholders.

Webjet is committed to achieving the goals of:

- providing access to equal opportunities at work based primarily on merit;
- attracting and retaining a management team with a diverse mix of skills, experience and expertise; and
- fostering a corporate culture that embraces and values diversity and uses that diversity to deliver business outcomes.

Webjet is an equal opportunity employer and welcomes people from a diverse range of backgrounds. Every employee within Webjet is responsible for supporting and maintaining Webjet's corporate culture, including its commitment to diversity in the workplace. In particular, managers have responsibility for the maintenance and promotion of an equal opportunity workplace.

## Auditors' Independence Declaration



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Australia

### DECLARATION OF INDEPENDENCE BY MICHAEL HAYDON TO THE DIRECTORS OF WEBJET LIMITED

As lead auditor of Webjet Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'M Haydon', with a long horizontal line extending to the right.

Michael Haydon  
Director

**BDO Audit (SA) Pty Ltd**

Adelaide, 18 August 2015

## Directors' Declaration

The directors of the Company declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;
- (c) The remuneration disclosures included in pages 6 to 11 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2015, comply with section 300A of the *Corporations Act 2001*;
- (d) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* and Corporations Regulations 2001, including compliance with accounting standards and giving a true and fair view of the financial position as at 30 June 2015 and performance of the Consolidated Entity for the year ended on that date; and
- (e) The directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to s.295 (5) of the *Corporations Act 2001*.

On behalf of the Directors



.....  
**David Clarke (Chairman)**

**19 August 2015**

## Consolidated income statement for the financial year ended 30 June 2015

|  |             | <b>Consolidated</b> |                  |
|--|-------------|---------------------|------------------|
|  |             | <b>Year ended</b>   |                  |
|  | <b>Note</b> | <b>30-Jun-15</b>    | <b>30-Jun-14</b> |
|  |             | <b>\$ 000's</b>     | <b>\$ 000's</b>  |
| Revenue                                    | 6           | 116,869             | 95,188           |
| Investment income                          | 7           | 1,144               | 887              |
| Other gains and losses                     | 8           | 2,274               | 3,456            |
|  |             | <b>120,287</b>      | <b>99,531</b>    |
| Share of associates losses                 | 29          | (106)               | (48)             |
| Employee benefits                          |             | (29,010)            | (21,116)         |
| Depreciation, amortisation and impairments |             | (4,709)             | (2,801)          |
| Marketing expenses                         |             | (21,187)            | (20,827)         |
| Operating expenses                         |             | (23,734)            | (22,375)         |
| Options expenses                           |             | (114)               | (283)            |
| Technology expenses                        |             | (7,568)             | (5,084)          |
| Administrative expenses                    |             | (4,423)             | (1,684)          |
| Finance costs                              |             | (1,032)             | (264)            |
| Directors' fees                            |             | (470)               | (473)            |
| Other expenses                             |             | (3,600)             | (3,497)          |
| Business acquisition costs                 |             | (1,146)             | -                |
| Profit Before Tax                          |             | <b>23,188</b>       | 21,079           |
| Income tax expense                         | 9           | (5,688)             | (1,952)          |
| <b>Profit for the year</b>                 |             | <b>17,500</b>       | 19,127           |
| <b>Profit attributable to:</b>             |             |                     |                  |
| Owners of the parent                       |             | 17,500              | 19,248           |
| Non-controlling interests                  |             | -                   | (121)            |
|  |             | <b>17,500</b>       | 19,127           |
| <b>Earnings per share:</b>                 |             |                     |                  |
| Basic (cents per share)                    | 23          | 21.95               | 24.24            |
| Diluted (cents per share)                  |             | 21.93               | 24.18            |

Notes to financial statement are included on pages 23 to 60

## Consolidated statement of comprehensive income for the year ended 30 June 2015

|   | Consolidated          |                       |
|---|-----------------------|-----------------------|
|   | Year ended            |                       |
| Note  | 30-Jun-15<br>\$ 000's | 30-Jun-14<br>\$ 000's |
| <b>Profit for the year</b>  | <b>17,500</b>         | 19,127                |
| <b><i>Items that may be reclassified subsequently to profit or loss</i></b> |                       |                       |
| Changes in fair value of available for sale financial assets                | -                     | 55                    |
| Exchange difference on translating foreign operations                       | <b>3,722</b>          | (507)                 |
| Changes in the fair value of derivatives                                    | <b>15</b>             | -                     |
| Other comprehensive income for the period, net of income tax                | 3,739                 | (452)                 |
| <b>Total comprehensive income for the year</b>                              | <b>21,237</b>         | 18,675                |
| Total comprehensive income attributable to:                                 |                       |                       |
| Owners of the parent  | <b>21,237</b>         | 18,796                |
| Non-controlling interests   | -                     | (121)                 |
|   | <b>21,237</b>         | 18,675                |

Notes to financial statement are included on pages 23 to 60

## Consolidated balance sheet for the year ended 30 June 2015

|  |                  | <b>Consolidated</b> |                |
|--|------------------|---------------------|----------------|
|  |                  | <b>Year ended</b>   |                |
| <b>Note</b>  | <b>30-Jun-15</b> | <b>30-Jun-14</b>    |                |
|  | <b>\$ 000's</b>  | <b>\$ 000's</b>     |                |
| <b>Current assets</b>                              |                  |                     |                |
| Cash and cash equivalents                          | 30               | 76,230              | 51,792         |
| Trade and other receivables                        | 11               | 34,764              | 20,308         |
| Other financial assets                             | 12               | 309                 | -              |
| Current tax asset                                  | 9                | -                   | 1,881          |
| Other assets                                       | 13               | 6,426               | 4,131          |
| <b>Total current assets</b>                        |                  | <b>117,729</b>      | <b>78,112</b>  |
| <b>Non-current assets</b>                          |                  |                     |                |
| Investments in associates                          | 29               | 104                 | 175            |
| Other financial assets                             | 12               | 265                 | 255            |
| Property, plant and equipment                      | 14               | 8,087               | 3,047          |
| Deferred tax assets                                | 9                | 4,421               | 4,800          |
| Intangible assets                                  | 15               | 72,214              | 42,829         |
| <b>Total non-current assets</b>                    |                  | <b>85,091</b>       | <b>51,106</b>  |
| <b>Total assets</b>                                |                  | <b>202,822</b>      | <b>129,218</b> |
| <b>Current liabilities</b>                         |                  |                     |                |
| Trade and other payables                           | 16               | 73,199              | 43,266         |
| Borrowings   | 17               | 4,000               | -              |
| Other financial liabilities                        |                  | -                   | 416            |
| Current tax liabilities                            | 9                | 4,065               | 1,544          |
| Provisions   | 18               | 4,102               | 2,175          |
| Other liabilities                                  | 19               | 2,214               | 1,712          |
| <b>Total current liabilities</b>                   |                  | <b>87,580</b>       | <b>49,113</b>  |
| <b>Non-current liabilities</b>                     |                  |                     |                |
| Deferred tax liabilities                           | 9                | 1,989               | 2,970          |
| Borrowings   | 17               | 21,143              | -              |
| Provisions   | 18               | 354                 | 288            |
| Derivative financial instruments                   | 31               | 466                 | -              |
| Other liabilities                                  | 19               | 8,835               | 7,563          |
| <b>Total non-current liabilities</b>               |                  | <b>32,787</b>       | <b>10,821</b>  |
| <b>Total liabilities</b>                           |                  | <b>120,367</b>      | <b>59,934</b>  |
| <b>Net assets</b>                                  |                  | <b>82,455</b>       | <b>69,284</b>  |
| <b>Equity</b>                                      |                  |                     |                |
| Issued capital                                     | 20               | 42,779              | 40,179         |
| Reserves   | 21               | 5,670               | 1,818          |
| Retained earnings                                  | 22               | 34,006              | 27,287         |
| <b>Equity attributable to owners of the parent</b> |                  | <b>82,455</b>       | <b>69,284</b>  |
| Non-controlling interests                          |                  | -                   | -              |
| <b>Total equity</b>                                |                  | <b>82,455</b>       | <b>69,284</b>  |

Notes to financial statement are included on pages 23 to 60

## Consolidated statement of changes in equity for the year ended 30 June 2015

|   | Share capital | Equity-settled employee benefits reserve | AFS reserve | Hedging reserve | Foreign currency translation reserve | Retained earnings | Total attributable to owners of the parent | Non-controlling interests | Total         |
|---|---------------|--|-------------|-----------------|--------------------------------------|-------------------|--|---------------------------|---------------|
|   | \$'000        | \$'000                                   |             |                 | \$'000                               | \$'000            | \$'000                                     | \$'000                    | \$'000        |
| Balance at 1 July 2013                                      | 40,179        | 465                                      | -           | -               | 1,522                                | 18,645            | 60,811                                     | (68)                      | 60,743        |
| Profit for the year   | -             | -  | -           | -               | -                                    | 19,248            | 19,248                                     | (121)                     | 19,127        |
| Other comprehensive income for the year, net of income tax  | -             | -  | 55          | -               | (507)                                | -                 | (452)                                      | -                         | (452)         |
| Total comprehensive income for the year                     | -             | -  | 55          | -               | (507)                                | 19,248            | 18,796                                     | (121)                     | 18,675        |
| <b>Transactions with owners in their capacity as owners</b> |               |  |             |                 |                                      |                   |  |                           |               |
| Difference arising on disposal of interest in a subsidiary  | -             | -  | -           | -               | -                                    | (86)              | (86)                                       | 189                       | 103           |
| Recognition of share based payments                         | -             | 283                                      | -           | -               | -                                    | -                 | 283  | -                         | 283           |
| Payment of dividends  | -             | -  | -           | -               | -                                    | (10,520)          | (10,520)                                   | -                         | (10,520)      |
| <b>Sub-total</b>  | -             | 283                                      | 55          | -               | (507)                                | 8,642             | 8,473                                      | 68                        | 8,541         |
| <b>Balance at 30 June 2014</b>                              | <b>40,179</b> | <b>748</b>                               | <b>55</b>   | <b>-</b>        | <b>1,015</b>                         | <b>27,287</b>     | <b>69,284</b>                              | <b>-</b>                  | <b>69,284</b> |
| Balance at 1 July 2014                                      | 40,179        | 748                                      | 55          | -               | 1,015                                | 27,287            | 69,284                                     | -                         | 69,284        |
| Profit for the year   | -             | -  | -           | -               | -                                    | 17,500            | 17,500                                     | -                         | 17,500        |
| Other comprehensive income for the year, net of income tax  | -             | -  | -           | 15              | 3,723                                | -                 | 3,738                                      | -                         | 3,738         |
| Total comprehensive income for the year                     | -             | -  | -           | 15              | 3,723                                | 17,500            | 21,238                                     | -                         | 21,238        |
| <b>Transactions with owners in their capacity as owners</b> |               |  |             |                 |                                      |                   |  |                           |               |
| Recognition of share based payments                         | 2,600         | 114                                      | -           | -               | -                                    | -                 | 2,714                                      | -                         | 2,714         |
| Payment of dividends  | -             | -  | -           | -               | -                                    | (10,781)          | (10,781)                                   | -                         | (10,781)      |
| <b>Sub-total</b>  | <b>2,600</b>  | <b>114</b>                               | <b>-</b>    | <b>15</b>       | <b>3,723</b>                         | <b>6,719</b>      | <b>13,172</b>                              | <b>-</b>                  | <b>13,172</b> |
| <b>Balance at 30 June 2015</b>                              | <b>42,779</b> | <b>862</b>                               | <b>55</b>   | <b>15</b>       | <b>4,738</b>                         | <b>34,006</b>     | <b>82,455</b>                              | <b>-</b>                  | <b>82,455</b> |

Notes to financial statement are included on pages 23 to 60

## Consolidated statement of cash flows for the year ended 30 June 2015

|   | Note | Consolidated         |            |
|---|------|----------------------|------------|
|   |      | Year ended 30 Jun-15 |            |
|   |      | 30 Jun 15            | 30 Jun 14  |
|   |      | \$ (000's)           | \$ (000's) |
| <b>Cash from operating activities</b>   |      |                      |            |
| Receipts from customers   |      | 129,079              | 103,638    |
| Payments to suppliers and employees   |      | (91,534)             | (95,253)   |
| Interest and other costs of finance paid  |      | (1,032)              | (264)      |
| Interest received   |      | 1,044                | 787        |
| Transaction costs related to acquisition of subsidiary                                    |      | -                    | -          |
| Income tax paid   |      | (2,128)              | (5,548)    |
| Net cash provided by/(used in) operating activities                                       | 30   | 35,429               | 3,360      |
| <b>Cash from investing activities</b>   |      |                      |            |
| Payments for property, plant and equipment  | 14   | (955)                | (2,418)    |
| Proceeds for property, plant and equipment  |      | -                    | -          |
| Proceeds from floating notes  |      | -                    | -          |
| Payment for acquisition of subsidiary, net of cash acquired                               |      | (20,352)             | (2,208)    |
| Purchase of intangibles   | 15   | (6,693)              | (3,117)    |
| Acquisition of interest in associates   |      | -                    | -          |
| Dividends received  |      | 100                  | 100        |
| Loans to controlled entities  |      | -                    | -          |
| Net cash used in investing activities   |      | (27,900)             | (7,643)    |
| <b>Cash flows from financing activities</b>   |      |                      |            |
| Payments for share buy-back   |      | -                    | -          |
| Payment for dividends   |      | (10,781)             | (10,520)   |
| Payment for transaction costs   |      | -                    | -          |
| Proceeds from Issue of share capital  |      | 2,600                | -          |
| Proceeds from borrowings  |      | 27,143               | -          |
| Repayment of borrowings   |      | (2,000)              | -          |
| Net cash provided by/(used in) financing activities                                       |      | 16,962               | (10,520)   |
| <b>Net increase in cash and cash equivalents</b>  |      | 24,491               | (14,803)   |
| <b>Cash and cash equivalents at the beginning of the financial year</b>                   |      | 51,792               | 66,812     |
| <b>Effects of exchange rate changes on the balance of cash held in foreign currencies</b> |      | (53)                 | (215)      |
| <b>Cash and cash equivalents at the end of the financial year</b>                         | 30   | 76,230               | 51,792     |

Notes to financial statement are included on pages 23 to 60

## Notes to the financial statements for the year ended 30 June 2015

### 1. General information

Webjet Ltd (the company) is a public company listed on the ASX and incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Consolidated Entity) are described in the Directors' Report.

#### Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Consolidated Entity. For the purposes of preparing the consolidated financial statements, the Consolidated Entity is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards ('IFRS').

#### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### 2. Application of new and revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out separately.

#### New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

#### Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective or adopted.

| Standard/Interpretation  | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|--|---|
| ASB 9 'Financial Instruments'  | 1 Jan 18   | 30 Jun 19   |
| ASB 2013-9 'Amendments to Australian Accounting standards – Conceptual Framework, Materiality and Financial Instruments' | 1 Jan 18   | 30 Jun 19   |
| ASB 15 – 'Revenue from Contracts with Customers'   | 1 Jan 17   | 30 Jun 18   |

The Consolidated Entity has not yet assessed the impact of these standards.

### 3. Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases.

Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated Entity.

All intra-Consolidated Entity transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Consolidated Entity's ownership interest in subsidiaries that do not result in the Consolidated Entity losing control are accounted for as equity transactions. The carrying amounts of the Consolidated Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Consolidated Entity loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the considerations received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any other non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity are accounted for as if the Consolidated Entity had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

#### b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Consolidated Entity, liabilities incurred by the Consolidated Entity to the former owners of the acquiree and the equity instruments issued by the Consolidated Entity in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Consolidated Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

### **c) Investments in associates**

An associate is an entity over which the Consolidated Entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Consolidated Entity's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Consolidated Entity's interest in that associate are recognised only to the extent that the Consolidated Entity has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Consolidated Entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Consolidated Entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Consolidated Entity transacts with an associate of the Consolidated Entity, profits and losses are eliminated to the extent of the Consolidated Entity's interest in the relevant associate.

### **d) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

### **e) Foreign currency**

The individual financial statements of each entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Webjet Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in foreign operations), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Consolidated Entity's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. disposal of the Consolidated Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Consolidated Entity are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associated or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### **f) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item and
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the consolidated statement of cashflows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

#### **g) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from booking fees on travel bookings is recognised when the booking is made by the customer and payment has been received. Commission revenue is recognised upon the provision of the related service.

There is no credit risk associated with the booking fee as the amount is received from the customer at the time of booking and is non-refundable. There is some credit risk associated with commissions. Some commissions are accrued on a ticketed basis (that is the Consolidated Entity has discharged its obligation as an agent), and some commissions accrued when the customer has obtained the service from the third party service provider.

Dividend revenue from investments is recognised when the Consolidated Entity's right to receive payment has been established. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### **h) Share-based payments**

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of equity instruments that will eventually vest. At each reporting date, the Consolidated Entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

#### **i) Income tax**

##### *Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

##### *Deferred tax*

Deferred tax reflects movements in temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

*Current and deferred tax for the period*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

*Tax consolidation*

The company and all its wholly-owned Australian resident entities became part of a tax-consolidated group on 1 July 2007 under Australian taxation law. Webjet Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the Consolidated Entity in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

**j) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**k) Financial assets**

Investments are initially measured at fair value net of transactions costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit and loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'

*Available-for-sale financial assets*

Certain financial assets such as floating rate notes held by the Consolidated Entity are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Consolidated Entity's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

*Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

*Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

**l) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

The depreciable amount of all fixed assets is depreciated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected life, or in the case of leasehold improvements the shorter lease term, to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The depreciation rate used for each class of depreciable asset is:

Office furniture and equipment - 15%

Computer equipment and software - 40%

Leasehold improvements - 20%

**m) Amortisation**

The useful lives of the intangible assets are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in income statement as other operating income or other operating costs, respectively.

**n) Leased assets**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

*Consolidated Entity as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives received to enter into operating leases are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis.

**o) Intangible assets**

Intangible assets with finite lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses and are tested for impairment annually.

*Goodwill*

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is 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 for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 15).

*Internally generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**p) Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **q) Employee benefits**

##### *Short-term employee benefit obligations*

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the reporting date and measured at the amounts expected to be paid when the liabilities are settled. Liabilities for wages and salaries are included as part of other payables and liabilities for annual leave are included as part of the provision for employee benefits.

##### *Other long-term employee benefit obligations*

The liabilities for long service leave are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of when settlement is expected to occur, liability for long service leave is presented as a current liability in the balance sheet if the Consolidated Entity does not have an unconditional right to defer settlement for a least 12 months after the end of the reporting period.

#### **r) Contributed equity**

##### *Ordinary shares are classified as equity*

Incremental costs directly attributable to the issue of new shares or options or costs associated with share buy-back are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

##### *Earnings per share*

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **s) Payables**

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services. These are usually settled within 30 days.

#### **t) Provisions**

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

##### *Onerous contracts*

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Consolidated Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

### *Restructuring*

A restructuring provision is recognised when the Consolidated Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

#### **u) Financial instruments issued by the company**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as reductions in the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs incurred directly in connection with the issue of those equity instruments and which would not have otherwise been incurred had those instruments not been issued.

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

#### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

#### **v) Borrowings**

All loans and 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 loans and borrowings using the effective interest method. Fees paid for establishing loan facilities are recognised as transaction costs if it is probable that some or all of the facility will be drawn down, and deferred until the draw down occurs. If it is not probable that the facility will be drawn down, fees are capitalised as prepayments for liquidity services and amortised over the period to which the facility relates.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract has been discharged, cancelled or expires. The difference between the carrying amount of the borrowing derecognised and the consideration paid is recognised in profit or loss as other income or finance costs.

All borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### **w) Derivatives**

The Consolidated Entity uses derivative financial instruments such as forward foreign currency contracts and interest rate swaps to hedge its risk associated with interest rate and foreign currency fluctuations. Such derivatives are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

For derivatives that qualify for hedge accounting, the method for recognising gains and losses on changes in fair value depends on whether the derivative is classified as a fair value hedge or a cash flow hedge. Derivatives are classified as fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability and as cash flow hedges when they hedge exposure to variability in cash flows that are attributable to either a particular risk associated with a recognised asset or liability or to a forecast transaction. The Consolidated Entity documents at inception of the hedge the relationship between the hedging instruments (derivatives) and the hedged items, as well as the risk management objective and strategy for undertaking the hedge transaction. The Consolidated Entity also documents, both at inception of the hedge and on an ongoing basis whether the derivatives that are used in the hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the hedging reserve and reclassified to profit or loss when the hedged item affects profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recognised in profit or loss as a reclassification adjustment in periods when the hedged item affects profit or loss (e.g. when the forecast sale takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss as finance costs. The gain or loss on the effective portion of forward exchange contracts hedging export sales is recognised in profit or loss within sales. However, when the cash flow hedge relates to a forward foreign exchange contract to hedge a highly probable forecast transaction or firm commitment that results in a non-financial asset (e.g. inventory or fixed assets), the gains and losses previously deferred in other comprehensive income are reclassified and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as costs of goods sold in the case of inventory, or as depreciation in the case of fixed assets.

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in other comprehensive income is kept in other comprehensive income until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income is recognised in profit or loss for the year as a reclassification adjustment.

#### **4. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial report required the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgements that have a significant risk of causing an adjustment to the carrying value of assets and liabilities with the next financial year are discussed below.

*(i) Key Estimates - Impairment*

The Consolidated Entity assesses whether intangible assets (refer to note 15) with indefinite useful lives are impaired at least annually. These calculations involve an estimation of the recoverable amount of the cash generating unit to which the intangible assets with indefinite useful lives are allocated.

*(ii) Useful Life of Technology Intangible Assets (including capitalised development)*

As described at 3(o) above, the Consolidated Entity reviews the estimated useful lives of its intangible assets at the end of each reporting period. The directors have determined that the useful life of the Core Booking Systems is 15 years and between 5 and 10 years for Ancillary Systems, there is no change in this assessment from the prior year.

## 5. Segment information

### Description of segments

Management has determined the operating segments and the segment information disclosed based on reports reviewed by the Managing Director that are used to make strategic decisions.

The Managing Director considers that all members of the group provide the same service, being Travel Bookings. The reportable segments of the Consolidated Entity are considered to be – Business to Consumer Travel (B2C Travel) and Business to Business Travel (B2B Travel).

The reportable segments of the Consolidated Entity are considered to be – Business to Consumer Travel (B2C Travel) and Business to Business Travel (B2B Travel).

There are no sales between segments. The revenue from external customers reported to the Managing Director is measured in a manner that is consistent with that in the consolidated income statement.

The amounts provided to the Managing Director with respect to total assets and total liabilities are measured in a manner that is consistent with that of the consolidated balance sheet.

### Segment information provided to the Managing Director

The segment information provided to the Managing Director for the year ended 30 June 2015 and 30 June 2014 is as follows:

#### a) Description of segments

|   | B2C Travel<br>\$'000 | B2B Travel<br>\$'000 | Total<br>\$'000 | B2C Travel<br>\$'000 | B2B Travel<br>\$'000 | Total<br>\$'000 |
|---|----------------------|----------------------|-----------------|----------------------|----------------------|-----------------|
| Revenues from travel bookings                   | 95,142               | 21,727               | 116,869         | 91,545               | 3,643                | 95,188          |
| Interest Revenue / Expense                      | 878                  | (766)                | 112             | 787                  | -                    | 787             |
| Depreciation and amortisation                   | (2,801)              | (1,908)              | (4,709)         | (2,606)              | (195)                | (2,801)         |
| Losses of associates                            | (106)                | -                    | (106)           | (48)                 | -                    | (48)            |
| Profit/(loss) before tax                        | 21,946               | 1,242                | 23,188          | 21,492               | (413)                | 21,079          |
| Income tax expense                              | (4,889)              | (799)                | (5,687)         | (1,952)              | -                    | (1,952)         |
| Profit/(loss) after tax                         | 17,057               | 443                  | 17,501          | 19,540               | (413)                | 19,127          |
| Segment assets                                  | 133,302              | 69,517               | 202,819         | 116,164              | 13,054               | 129,218         |
| Segment liabilities                             | 81,306               | 39,056               | 120,362         | 44,297               | 15,637               | 59,934          |
| Acquisitions of non-current assets <sup>1</sup> | 6,481                | 40,705               | 47,186          | 5,089                | 662                  | 5,751           |

<sup>1</sup> Non-current assets excluding financial assets and deferred tax assets.

#### b) Other segment information

Webjet Limited is domiciled in Australia. For the purposes of this disclosure, revenue is determined by location of the customer and assets are allocated based on the legal entity ownership of the asset. The amount of revenue and non-current assets in Australia is as follows:

|                     | Revenue        |                | Non-Current Assets <sup>1</sup> |                |
|---------------------|----------------|----------------|---------------------------------|----------------|
|                     | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000                  | 2014<br>\$'000 |
| Australia           | 76,997         | 69,248         | 42,783                          | 40,602         |
| All other countries | 39,872         | 25,940         | 37,623                          | 5,449          |
|                     | 116,869        | 95,188         | 80,406                          | 46,051         |

<sup>1</sup> Non-current assets excluding financial assets and deferred tax assets.

## 6. Revenue

|                              | Consolidated   |                |
|------------------------------|----------------|----------------|
|                              | 2015<br>\$'000 | 2014<br>\$'000 |
| Revenue from travel bookings | 116,869        | 95,188         |

## 7. Investment Income

|                                  | Consolidated   |                |
|----------------------------------|----------------|----------------|
|                                  | 2015<br>\$'000 | 2014<br>\$'000 |
| Interest income:                 |                |                |
| Bank deposits                    | 1,044          | 787            |
| Dividend from equity investments | 100            | 100            |
|                                  | 1,144          | 887            |

The following is an analysis of investment income earned on financial assets by category of asset.

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| Available-for-sale financial assets                      | 100            | 100            |
| Loans and receivables (including cash and bank balances) | 1,044          | 787            |
|  | 1,144          | 887            |

## 8. Other gains and losses

|                                 | Consolidated   |                |
|---------------------------------|----------------|----------------|
|                                 | 2015<br>\$'000 | 2014<br>\$'000 |
| Gain on part sale of subsidiary | -              | 1,400          |
| Other income                    | 2,274          | 2,056          |
|                                 | 2,274          | 3,456          |

## 9. Income taxes

### a) Income tax expense

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 |
| Current tax   | 6,356          | 2,759          |
| Deferred tax  | (602)          | (439)          |
| Adjustments for current tax of prior periods            | (66)           | (368)          |
| Total income tax expense recognised in the current year | 5,688          | 1,952          |

### b) Reconciliation of income tax expense to prima facie tax payable

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| Profit before income tax   | 23,188         | 21,079         |
| Income tax expense calculated at 30% (2014: 30%)   | 6,956          | 6,323          |
| Effect of overseas subsidiaries expenses not deductible  | -              | (22)           |
| Tax losses of foreign subsidiaries not recognised  | 1,088          | -              |
| Effect of previously unrecognised overseas tax losses recognised as deferred tax assets          | (939)          | (1,505)        |
| Effect of income/expenses that are not assessable/deductible in determining taxable profit       | 202            | (474)          |
| Effect of utilised franking credits  | (43)           | 13             |
| Effect of R&D tax incentives   | (102)          | -              |
| Effect of deferred tax expense relating to the origination and reversal of temporary differences | 265            | (121)          |
| Utilisation of tax losses  | (116)          | (1,029)        |
| Differences for current tax of prior periods   | (66)           | (368)          |
| Difference in overseas tax rates   | (1,558)        | (865)          |
|  | 5,688          | 1,952          |

The tax rate used for the 2015 and 2014 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

### Current tax assets and liabilities

|                                | Consolidated   |                |
|--------------------------------|----------------|----------------|
|                                | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Current tax assets</b>      |                |                |
| Income tax refundable          | -              | 1,881          |
| <b>Current tax liabilities</b> |                |                |
| Income tax payable             | 4,065          | 1,544          |

## 9. Income tax (cont'd)

### Deferred tax balances

Deferred tax assets/ (liabilities) arise from the following:

| 2015                                    | Consolidated    |                      |                              |                                    |                               |                 |
|---|-----------------|----------------------|------------------------------|------------------------------------|-------------------------------|-----------------|
|   | Opening balance | Under/over provision | Recognised in profit or loss | Recognised in comprehensive income | Recognised directly in equity | Closing balance |
|   | \$'000          | \$'000               | \$'000                       | \$'000                             | \$'000                        | \$'000          |
| <b>Deferred tax liability</b>           |                 |                      |                              |                                    |                               |                 |
| Interest receivable                     | (43)            | -                    | 40                           | -                                  | -                             | (3)             |
| Other assets                            | (2)             | -                    | (8)                          | -                                  | -                             | (10)            |
| Unrealised foreign exchange gain/losses | (59)            | -                    | 59                           | -                                  | -                             | -               |
| Property, plant & equipment             | (170)           | -                    | 170                          | -                                  | -                             | -               |
| Intangibles                             | (2,696)         | -                    | 720                          | -                                  | -                             | (1,976)         |
|   | <b>(2,970)</b>  | -                    | <b>981</b>                   | -                                  | -                             | <b>(1,989)</b>  |
| <b>Deferred tax asset</b>               |                 |                      |                              |                                    |                               |                 |
| Financial liabilities                   | 125             | -                    | (23)                         | -                                  | -                             | 102             |
| Deferred revenue                        | 488             | -                    | (119)                        | -                                  | -                             | 369             |
| Sundry expense accruals                 | 70              | -                    | 5                            | -                                  | -                             | 75              |
| Provisions                              | 582             | -                    | 587                          | -                                  | -                             | 1,169           |
| Expenses deductible over 5 years        | 224             | -                    | (85)                         | -                                  | -                             | 139             |
| Intangibles & PPE                       | 78              | -                    | 789                          | -                                  | -                             | 867             |
| Capital allowance                       | 1,793           | -                    | (1,793)                      | -                                  | -                             | -               |
| Unrealised foreign exchange gain/losses | -               | -                    | 98                           | -                                  | -                             | 98              |
|   | <b>3,360</b>    | -                    | <b>(542)</b>                 | -                                  | -                             | <b>2,818</b>    |
| Unused tax losses and credits           | 1,440           | -                    | 164                          | -                                  | -                             | 1,604           |
|   | <b>4,800</b>    | -                    | <b>(379)</b>                 | -                                  | -                             | <b>4,421</b>    |

## 9. Income tax (cont'd)

### Tax consolidation

| 2014                                    | Consolidated    |                      |                              |                                    |                               |                 |
|---|-----------------|----------------------|------------------------------|------------------------------------|-------------------------------|-----------------|
|   | Opening balance | Under/over provision | Recognised in profit or loss | Recognised in comprehensive income | Recognised directly in equity | Closing balance |
|   | \$'000          | \$'000               | \$'000                       | \$'000                             | \$'000                        | \$'000          |
| <b>Deferred tax liability</b>           |                 |                      |                              |                                    |                               |                 |
| Interest receivable                     | (49)            | -                    | 6                            | -                                  | -                             | (43)            |
| Other assets                            | (6)             | -                    | 4                            | -                                  | -                             | (2)             |
| Unrealised foreign exchange gain/losses | (206)           | -                    | 147                          | -                                  | -                             | (59)            |
| Property, plant & equipment             | -               | -                    | (170)                        | -                                  | -                             | (170)           |
| Intangibles                             | (2,972)         | -                    | 276                          | -                                  | -                             | (2,696)         |
|   | <b>(3,233)</b>  | <b>-</b>             | <b>263</b>                   | <b>-</b>                           | <b>-</b>                      | <b>(2,970)</b>  |
| <b>Deferred tax asset</b>               |                 |                      |                              |                                    |                               |                 |
| Financial liabilities                   | -               | -                    | 125                          | -                                  | -                             | 125             |
| Deferred revenue                        | -               | -                    | 488                          | -                                  | -                             | 488             |
| Allowance for doubtful debts            | 41              | -                    | (41)                         | -                                  | -                             | -               |
| Sundry expense accruals                 | 919             | -                    | (849)                        | -                                  | -                             | 70              |
| Provisions                              | 920             | -                    | (338)                        | -                                  | -                             | 582             |
| Expenses deductible over 5 years        | 310             | -                    | (86)                         | -                                  | -                             | 224             |
| Intangibles & PPE                       | 68              | -                    | 10                           | -                                  | -                             | 78              |
| Capital allowance                       | 1,955           | -                    | (162)                        | -                                  | -                             | 1,793           |
|   | <b>4,213</b>    | <b>-</b>             | <b>(853)</b>                 | <b>-</b>                           | <b>-</b>                      | <b>3,360</b>    |
| Unused tax losses and credits           | 411             | -                    | 1,029                        | -                                  | -                             | 1,440           |
|   | <b>4,624</b>    | <b>-</b>             | <b>176</b>                   | <b>-</b>                           | <b>-</b>                      | <b>4,800</b>    |

### Relevance of tax consolidation to the Consolidated Entity

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Webjet Limited. The members of the tax-consolidated group identified in note 27 relate to entities incorporated in Australia. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

### Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Webjet Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

## 10. Profit for the year

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Depreciation and amortisation expense</b>        |                |                |
| Depreciation of property, plant and equipment       | 1,384          | 870            |
| Amortisation of intangible assets                   | 3,325          | 1,931          |
|   | <b>4,709</b>   | <b>2,801</b>   |
| Research and development costs expensed as incurred | 1,913          | 1,767          |
| <b>Employee benefits expense</b>                    |                |                |
| Defined contribution superannuation expense         | 1,415          | 1,313          |
| Other employee benefits                             | 27,595         | 19,803         |
|   | <b>29,010</b>  | <b>21,116</b>  |
| Restructuring costs                                 | 557            | -              |
| Operating lease expense                             | 1,422          | 1,347          |
| Net foreign exchange (gains)/losses                 | 1,672          | 645            |

## 11. Trade Receivables

|                              | Consolidated   |                |
|------------------------------|----------------|----------------|
|                              | 2015<br>\$'000 | 2014<br>\$'000 |
| Trade receivables            | 34,917         | 20,274         |
| Allowance for doubtful debts | (162)          | -              |
| Other                        | 9              | 34             |
|                              | <b>34,764</b>  | <b>20,308</b>  |

The average credit period for trade receivables is 30 to 90 days. An amount only becomes due on completion of the contract period which may be up to 12 months. Management is prudent in its provisions against these receivables but do not believe any balances are impaired in the current reporting period. Trade receivables are non-interest bearing. Trade receivables that are neither past due nor impaired relate to long standing business partners with good track record.

Age of trade receivables that are past due but not impaired:-

|                | Consolidated   |                |
|----------------|----------------|----------------|
|                | 2015<br>\$'000 | 2014<br>\$'000 |
| Up to 3 months | 15,006         | -              |
| 3 – 6 months   | 493            | -              |
| Total          | <b>15,499</b>  | <b>-</b>       |

Movement in the allowance for doubtful debts:

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| Balance at the beginning of the year   | -              | 144            |
| Provision created during the year  | (162)          | -              |
| Impairment losses recognised on receivables acquired in business combination | -              | -              |
| Impairment losses reversed   | -              | (144)          |
| Balance at the end of the year   | <b>(162)</b>   | <b>-</b>       |

## 12. Other financial assets

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Available-for-sale investments carried at fair value:</b> |                |                |
| <i>Current</i>   |                |                |
| Forward exchange contracts (i)                               | 309            | -              |
| <i>Non-current</i>   |                |                |
| Shares in unlisted companies (ii)                            | 265            | 255            |

- i) Relates to the fair value of forward exchange contracts entered into by the Group to hedge against foreign exchange rate risk on the B2B business.
- ii) The Consolidated Entity holds 20% of the ordinary share capital of Taguchi Marketing Pty Ltd, a company involved in email marketing and distribution activities. The directors of the Consolidated Entity do not consider that the Consolidated Entity is able to exert significant influence over Taguchi Marketing Pty Ltd as the day-to-day running of the business is not under the influence of the Consolidated Entity.

## 13. Other assets

|                | Consolidated   |                |
|----------------|----------------|----------------|
|                | 2015<br>\$'000 | 2014<br>\$'000 |
| <i>Current</i> |                |                |
| Prepayments    | 4,220          | 1,432          |
| Other          | 2,206          | 2,699          |
| <b>Total</b>   | <b>6,426</b>   | <b>4,131</b>   |

## 14. Property, Plant and Equipment

|  | Software<br>at cost | Computer<br>Equipment<br>at cost | Furniture<br>&<br>Fittings<br>at cost | Office<br>Equipment<br>at cost | Land &<br>Building | Leasehold<br>Improvements<br>at<br>cost | Asset<br>Clearing | Total   |
|--|---------------------|----------------------------------|---------------------------------------|--------------------------------|--------------------|---|-------------------|---------|
|  | \$'000              | \$'000                           | \$'000                                | \$'000                         | \$'000             | \$'000                                  | \$'000            | \$'000  |
| <b>Balance at 30 June 2013</b>                                       | 1,083               | 1,473                            | 274                                   | 207                            |                    | 613                                     | 197               | 3,847   |
| Additions  | 1,114               | 333                              | 1                                     | 495                            |                    | 475                                     |                   | 2,418   |
| Transfers  |                     |                                  |                                       |                                |                    | 197                                     | (197)             | -       |
| Disposals  |                     | (63)                             | (1)                                   |                                |                    | (4)                                     |                   | (68)    |
| Derecognition of subsidiary  |                     | (36)                             | (3)                                   | (3)                            |                    |   |                   | (42)    |
| Net foreign currency<br>exchange differences                         | -                   | (10)                             | (5)                                   | (2)                            |                    | (9)                                     |                   | (26)    |
| <b>Balance at 30 June 2014</b>                                       | 2,197               | 1,697                            | 266                                   | 697                            | -                  | 1,272                                   | -                 | 6,129   |
| Additions  | 421                 | 235                              | 45                                    | 33                             |                    | 10                                      | 211               | 955     |
| Transfers  | 419                 | -                                | 63                                    |                                |                    | (63)                                    |                   | 419     |
| Disposals  |                     | (3)                              |                                       |                                |                    | (11)                                    |                   | (14)    |
| Derecognition of subsidiary  |                     |                                  |                                       |                                |                    |   |                   | -       |
| Net foreign currency<br>exchange differences                         | 47                  | 132                              | 47                                    | 35                             |                    | 182                                     |                   | 442     |
| Additions through<br>Acquisition                                     | 377                 | 91                               | 265                                   | 1,333                          | 3,876              |   | -                 | 5,943   |
| <b>Balance at 30 June 2015</b>                                       | 3,460               | 2,151                            | 686                                   | 2,098                          | 3,876              | 1,391                                   | 211               | 13,875  |
| <b>Accumulated<br/>depreciation/ amortisation<br/>and impairment</b> |                     |                                  |                                       |                                |                    |   |                   | -       |
| <b>Balance at 30 June 2013</b>                                       | (572)               | (1,146)                          | (88)                                  | (77)                           |                    | (394)                                   |                   | (2,277) |
| Transfers  |                     |                                  |                                       |                                |                    |   |                   | -       |
| Disposals  | -                   | 63                               | -                                     | -                              | -                  | 4                                       | -                 | 67      |
| Depreciation expense   | (363)               | (269)                            | (29)                                  | (75)                           | -                  | (134)                                   | -                 | (871)   |
| Derecognition of subsidiary  | -                   | 20                               | -                                     | -                              | -                  | -                                       | -                 | 20      |
| Net foreign currency<br>exchange differences                         | (18)                | (14)                             | 6                                     | 2                              | -                  | 2                                       | -                 | (22)    |
| <b>Balance at 30 June 2014</b>                                       | (953)               | (1,346)                          | (111)                                 | (150)                          | -                  | (522)                                   | -                 | (3,082) |
| Transfers  | (330)               | -                                | -                                     | -                              | -                  | -                                       | -                 | (330)   |
| Disposals  |                     |                                  |                                       |                                |                    | 11                                      |                   | 11      |
| Depreciation expense   | (536)               | (219)                            | (72)                                  | (206)                          | (58)               | (170)                                   |                   | (1,262) |
| Derecognition of subsidiary  |                     |                                  |                                       |                                |                    |   |                   | -       |
| Net foreign currency<br>exchange differences                         | (38)                | (72)                             | (47)                                  | (42)                           | (2)                | (109)                                   | (5)               | (315)   |
| Additions through<br>Acquisition                                     | (182)               | -                                | (83)                                  | (396)                          | (147)              |   |                   | (807)   |
| <b>Balance at 30 June 2015</b>                                       | (2,038)             | (1,637)                          | (313)                                 | (794)                          | (207)              | (791)                                   | (5)               | (5,787) |
| <b>Carrying amounts</b>  |                     |                                  |                                       |                                |                    |   |                   |         |
| As at 30 June 2014   | 1,244               | 351                              | 155                                   | 547                            | -                  | 750                                     | -                 | 3,047   |
| <b>As at 30 June 2015</b>  | 1,421               | 514                              | 374                                   | 1,305                          | 3,669              | 600                                     | 205               | 8,087   |

## 15. Intangible assets

|   | Consolidated                         |                      |  |                    | Total<br>\$'000 |
|---|--------------------------------------|----------------------|--|--------------------|-----------------|
|   | Capitalised<br>development<br>\$'000 | Trademarks<br>\$'000 | Other<br>identifiable<br>intangibles<br>\$'000 | Goodwill<br>\$'000 |                 |
| <b>Balance at 30 June 2013</b>                  | 13,297                               | 7,082                | 2,199  | 21,848             | 44,426          |
| Additions                                       | 2,807                                | 57                   | 253  |                    | 3,117           |
| Acquisitions through business combination       |                                      |                      |  | -                  | -               |
| Derecognition of a subsidiary                   |                                      |                      | (308)  |                    | (308)           |
| Effect of foreign currency exchange differences | (26)                                 | (134)                | (10)   | (119)              | (289)           |
| <b>Balance at 30 June 2014</b>                  | 16,078                               | 7,005                | 2,134  | 21,729             | 46,946          |
| Additions                                       | 5,126                                | -                    | 1,567  | -                  | 6,693           |
| Acquisitions through business combination       |                                      | 891                  | 7,856  | 14,381             | 23,128          |
| Transfer to property plant and equipment        |                                      |                      | (419)  |                    | (419)           |
| Derecognition of a subsidiary                   |                                      |                      |  |                    | -               |
| Write off of dot Webjet Asset                   |                                      |                      | (217)  |                    | (217)           |
| Effect of foreign currency exchange differences | 622                                  | 451                  | 242  | 2,380              | 3,695           |
| <b>Balance at 30 June 2015</b>                  | 21,826                               | 8,347                | 11,163   | 38,490             | 79,826          |
| <b>Accumulated amortisation and impairment</b>  |                                      |                      |  |                    |                 |
| <b>Balance at 30 June 2013</b>                  | (1,774)                              | -                    | (438)  | -                  | (2,212)         |
| Amortisation and impairment expense             | (1,488)                              |                      | (443)  | -                  | (1,931)         |
| Derecognition of a subsidiary                   |                                      |                      | 195  |                    | 195             |
| Impairment                                      |                                      |                      |  | (190)              | (190)           |
| Effect of foreign currency exchange differences | 13                                   |                      | 9  |                    | 22              |
| <b>Balance at 30 June 2014</b>                  | (3,249)                              | -                    | (677)  | (190)              | (4,116)         |
| Amortisation and impairment expense             | (2,044)                              | -                    | (1,402)  | -                  | (3,446)         |
| Derecognition of a subsidiary                   |                                      |                      |  |                    | -               |
| Transfer to property, plant and equipment       |                                      |                      | 330  |                    | 330             |
| Impairment                                      |                                      |                      |  | -                  | -               |
| Effect of foreign currency exchange differences | (283)                                |                      | (95)   |                    | (378)           |
| <b>Balance at 30 June 2015</b>                  | (5,576)                              | -                    | (1,844)  | (190)              | (7,610)         |
| <b>Carrying amount</b>                          |                                      |                      |  |                    |                 |
| As at 30 June 2014                              | 12,829                               | 7,005                | 1,457  | 21,539             | 42,830          |
| As at 30 June 2015                              | 16,250                               | 8,347                | 9,319  | 38,300             | 72,216          |

### i) Capitalised development

The capitalised development intangible assets represent the Consolidated Entity's travel booking system and licences as well as additional distribution systems that enable customers to access this booking platform.

## 15. Intangibles (cont'd)

Capitalised development has a finite life and is amortised on a straight-line basis. Capitalised development relating to Core Booking Systems is amortised over 15 years, while capitalised development relating to Ancillary Systems is amortised over a period of 5 to 10 years (refer to note 4 (ii) for further information).

### ii) Trademarks

Trademarks have been acquired through the acquisition of the Zuji group of entities and the Sunhotels group of entities. All trademarks are carried at cost less accumulated impairment losses. The intangible assets relating to the Zuji acquisition and Sunhotels acquisition have been determined to have indefinite useful lives as there is no expiry and no foreseeable limit on the period of time over which these assets are expected to contribute to the cashflows of the Consolidated Entity. For impairment purposes the trademarks are tested at an overall cash generating unit level.

### iii) Other identifiable intangibles

The other identifiable intangible assets intangible assets acquired through the acquisition of the Zuji group of entities, domain names, other software licences and development and supplier agreements.

Other intangible assets all have a finite life and are assessed individually in determining useful life for amortisation. The useful lives of these assets range from 3 - 10 years.

### iv) Goodwill

Goodwill has been acquired as part of business combinations and after initial recognition is measured at cost less accumulated impairment losses. Goodwill is not amortised but is assessed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arise, identified according to operating segments (refer to note 5).

### a) Impairment tests for goodwill

Goodwill is monitored by management at the operating segment level. Management has identified the reportable segments to be Business to Consumer Travel (B2C Travel) and Business to Business Travel (B2B Travel). The segment-level summary of the carrying amount of goodwill and trademarks acquired from business combinations is shown below:

|                               | Consolidated  |               |               |            |
|-------------------------------|---------------|---------------|---------------|------------|
|                               | 2015          | 2015          | 2014          | 2014       |
|                               | B2C Travel    | B2B Travel    | B2C Travel    | B2B Travel |
|                               | \$'000        | \$'000        | \$'000        | \$'000     |
| Carrying amount of goodwill   | 23,393        | 14,906        | 21,539        | -          |
| Carrying amount of trademarks | 7,445         | 902           | 7,005         | -          |
|                               | <b>30,837</b> | <b>15,808</b> | <b>28,544</b> | -          |

### b) Key assumptions for value-in-use calculations

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The Consolidated Entity has prepared a detailed projection for the financial year ended 30 June 2015 based on historical and current financial performance, after including the expected change in revenues and margins resulting from the business combinations and new business initiatives. The four following years have been calculated using a projection of the growth in overall total transaction volume.

Management's key assumptions used in the value-in-use calculation are a gross margin of 20%, a growth rate beyond budget period of 3% and a discount rate of 14%. Management determined the budgeted gross margin based on past performance and expectations for the future. The growth rate used does not exceed long-term average growth rates for the B2C Travel industry. The discount rate used reflects externally sourced inputs and specific risks relating to the B2C Travel segment and the countries in which it operates. Reasonably possible changes to these assumptions would not have an impact on the recoverable amount.

## 16. Trade and other payables

|                | Consolidated   |                |
|----------------|----------------|----------------|
|                | 2015<br>\$'000 | 2014<br>\$'000 |
| Trade payables | 60,114         | 33,925         |
| Other          | 13,085         | 9,341          |
|                | 73,199         | 43,266         |

## 17. Borrowings

During the year, the Group obtained a new unsecured long term bank loan amounting to A\$27,150,000. The loan bears interest at variable market rates and is carried at amortised cost over a 3 year maturity. The proceeds from the loan were used to fund the SunHotels acquisition. There are two bi-annually scheduled repayments of \$2,000,000 due on 15 July 2015 and 15 January 2016.

|                             | Consolidated   |                |
|-----------------------------|----------------|----------------|
|                             | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Unsecured borrowings</b> |                |                |
| Current                     | 4,000          | -              |
| Non-current                 | 21,143         | -              |
|                             | 25,143         | -              |

The new loan agreement also enforces the following covenants:

- Operating leverage ratio must not exceed from loan 2.5:1 to 29 June 2015
- Operating leverage ratio must not exceed 2.25:1 for the period 30 June 2015 until 29 June 2016
- Operating leverage ratio must exceed 2:1 from 30 June 2016
- Interest cover ratio must not be lower than 4:1 for the term of the loan

The group complied with these ratios throughout the reporting period.

## 18. Provisions

|                          | Consolidated   |                |
|--------------------------|----------------|----------------|
|                          | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Current</b>           |                |                |
| Employee benefits (i)    | 1,785          | 1,180          |
| Restructuring costs (ii) | -              | -              |
| Gift vouchers (iii)      | 2,136          | 774            |
| Make-good provision (iv) | -              | 76             |
| Other                    | 180            | 145            |
|                          | <b>4,102</b>   | <b>2,175</b>   |
| <b>Non-current</b>       |                |                |
| Employee benefits        | 28             | 41             |
| Make-good provision (iv) | 326            | 247            |
|                          | <b>354</b>     | <b>288</b>     |
|                          | <b>4,456</b>   | <b>2,463</b>   |

- (i) The current provision for employee benefits for the Consolidated Entity includes \$240,501 of vested long service leave entitlements accrued but not expected to be taken within 12 months.
- (ii) The consolidated entity will incur no further costs to complete the restructure of the operations of Sunhotels. A restructuring provision of EUR500,000 was created on acquisition of Sunhotels for expected costs to restructuring back office support processes and systems onto a common Webjet system. This provision was fully expensed during the year.
- (iii) The consolidated entity provides for the value of gift vouchers sold or issued to customers but not yet redeemed or expired.
- (iv) The consolidated entity is required to restore the leased office premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

|  | Restructuring costs<br>\$'000 | Make-good provision<br>\$'000 | Gift vouchers provision<br>\$'000 | Other<br>\$'000 |
|--|-------------------------------|-------------------------------|-----------------------------------|-----------------|
| Carrying amount at start of year               | -                             | 323                           | 774                               | 145             |
| Provision relating to acquisitions             | 714                           | -                             | -                                 | -               |
| Additional provision charged to profit or loss | -                             | 3                             | 1,643                             | 35              |
| Unused amounts reversed                        | -                             | -                             | -                                 | -               |
| Amounts used during the year                   | (714)                         | -                             | (281)                             | -               |
| Carrying amount at end of year                 | -                             | 326                           | 2,136                             | 180             |

## 19. Other liabilities

|                           | Consolidated   |                |
|---------------------------|----------------|----------------|
|                           | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Current</b>            |                |                |
| Deferred revenue (i)      | 1,876          | 1,712          |
| Lease incentive liability | 338            | 416            |
| <b>Non-current</b>        |                |                |
| Deferred revenue (i)      | 8,835          | 7,563          |
|                           | <b>11,049</b>  | <b>9,275</b>   |

- (i) Deferred revenue relates to amounts received but not yet deemed to be earned, this includes amounts received for promotional activities that have not yet taken place and other long term supplier agreements.

## 20. Issued capital

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 |
| 80,397,959 fully paid ordinary shares<br>(2014: 79,397,959) | 42,779         | 40,179         |
|   | 42,779         | 40,179         |

|   | 2015        |        | 2014        |        |
|---|-------------|--------|-------------|--------|
|   | No.<br>'000 | \$'000 | No.<br>'000 | \$'000 |
| <b>Fully paid ordinary shares</b>                 |             |        |             |        |
| Balance at beginning of financial year            | 79,398      | 40,179 | 79,398      | 40,179 |
| Issue of shares under placement                   | -           | -      | -           | -      |
| Issue of shares under share purchase plan         | -           | -      | -           | -      |
| Exercise of options-proceed received              | 1,000       | 2,600  | -           | -      |
| Transaction costs arising on share issues         | -           | -      | -           | -      |
| Deferred tax credit recognised directly in equity | -           | -      | -           | -      |
| Balance at end of financial year                  | 80,398      | 42,779 | 79,398      | 40,179 |

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

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. The shares bought back in the prior year were cancelled. Further details of the employee share option plan are contained in note 32 to the financial statements.

## 21. Reserves

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| Available-for-sale revaluation reserve | 55             | 55             |
| Equity-settled employee benefits       | 862            | 748            |
| Foreign currency translation           | 4,738          | 1,015          |
| Hedge reserve                          | 15             | -              |
|  | <b>5,670</b>   | <b>1,818</b>   |

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Equity-settled employee benefits reserve</b> |                |                |
| Balance at beginning of financial year          | 748            | 465            |
| Options expensed                                | 114            | 283            |
| Balance at end of financial year                | <b>862</b>     | <b>748</b>     |

The equity-settled employee benefits reserve arises on the grant of share options to directors and executives under various share option scheme. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Foreign currency translation reserve</b>                                      |                |                |
| Balance at beginning of financial year   | 1,015          | 1,522          |
| Exchange differences arising on translating the net assets of foreign operations | 3,723          | (507)          |
| Balance at end of financial year   | <b>4,738</b>   | <b>1,015</b>   |

Exchange differences relating to the translation of the net assets of the Consolidated Entity's foreign operations from their functional currencies to the Consolidated Entity's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating the net assets of foreign operations) are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Hedging reserve</b>                 |                |                |
| Balance at beginning of financial year | -              | -              |
| Cash flow hedge                        | 309            | -              |
| Net investment hedge                   | (294)          | -              |
| Balance at end of financial year       | <b>15</b>      | <b>-</b>       |

The hedge reserve is used to record gains or losses on derivatives that are designated as cash flow hedges and net investment hedges. Fair value movement for these derivatives are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

## 22. Retained earnings

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| Balance at beginning of financial year                     | 27,287         | 18,645         |
| Profit attributable to owner of the Company                | 17,500         | 19,248         |
| Difference arising on disposal of interest in a subsidiary | -              | (86)           |
| Payment of dividends                                       | (10,781)       | (10,520)       |
| Balance at end of financial year                           | <b>34,006</b>  | <b>27,287</b>  |

## 23. Earnings per share

|   |  | Consolidated               |                            |
|---|--|----------------------------|----------------------------|
|   |  | 2015<br>Cents<br>per share | 2014<br>Cents<br>per share |
| <b>Basic earnings per share</b>   |  |                            |                            |
| From continuing operations  |  | 21.95                      | 24.24                      |
| Total basic earnings per share  |  | 21.95                      | 24.24                      |
| <b>Diluted earnings per share</b>   |  |                            |                            |
| From continuing operations  |  | 21.93                      | 24.18                      |
| Total diluted earnings per share  |  | 21.93                      | 24.18                      |
|   |  | <b>2015<br/>No.'000</b>    | <b>2014<br/>No.'000</b>    |
| Weighted average number of ordinary shares for the purposes of basic earnings per share |  | 79,743                     | 79,398                     |
| <b>Diluted earnings per share</b>   |  |                            |                            |
|   |  | <b>2015<br/>\$'000</b>     | <b>2014<br/>\$'000</b>     |
| Profit for the year attributable to owners of the Company                               |  | 17,500                     | 19,248                     |
| Earnings used in the calculation of diluted EPS   |  | 17,500                     | 19,248                     |
|   |  | <b>2015<br/>No.'000</b>    | <b>2014<br/>No.'000</b>    |
| Weighted average number of ordinary shares used in the calculation of basic EPS         |  | 79,743                     | 79,398                     |
| Shares deemed to be issued for no consideration in respect of:<br>Employee options      |  | 56                         | 208                        |
| Weighted average number of ordinary shares used in the calculation of diluted EPS       |  | 79,799                     | 79,606                     |

4,500,000 options were not included in the number of weighted average ordinary shares used to calculate diluted earnings per share because they are currently out of the money

## 24. Dividends

|                                    |  | 2015                  |                 | 2014                  |                 |
|------------------------------------|--|-----------------------|-----------------|-----------------------|-----------------|
|                                    |  | Cents<br>per<br>share | Total<br>\$'000 | Cents<br>per<br>share | Total<br>\$'000 |
| <b>Recognised amounts</b>          |  |                       |                 |                       |                 |
| <i>Fully paid ordinary shares</i>  |  |                       |                 |                       |                 |
| Interim dividend for current year: |  | 7.25                  | 5,025           | 6.25                  | 4,962           |
| Final dividend for prior year:     |  | 7.25                  | 5,756           | 7.00                  | 5,558           |
|                                    |  | 14.5                  | 10,781          | 13.25                 | 10,520          |
| <b>Unrecognised amounts</b>        |  |                       |                 |                       |                 |
| <i>Fully paid ordinary shares</i>  |  |                       |                 |                       |                 |
| Final dividend for current year:   |  | 7.25                  | 5,829           | 7.25                  | 5,756           |

## 24. Dividends (cont'd)

The directors have declared a fully franked final dividend of 7.25 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2015, to be paid to shareholders on 15 October 2015. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$5.83m.

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2015</b>         | <b>2014</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| Adjusted franking account balance                              | 3,135               | 7,281         |
| Impact on franking account balance of dividends not recognised | (2,498)             | (2,467)       |
|  | <b>637</b>          | <b>4,814</b>  |

The balance of the adjusted franking account includes:

- (a) franking credits that will arise from the payment of the amount of the provision of income tax
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

## 25. Contingent liabilities

At reporting date, the Consolidated Entity had a bank guarantee facility of \$14.0m (2014: \$14.0m). There are no other contingent liabilities or contingent assets requiring disclosure as at the date of this report.

## 26. Commitments

### (a) Leasing commitments

The Consolidated Entity leases various offices under non-cancellable operating leases expiring within 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2015</b>         | <b>2014</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| Not longer than 1 year                         | 885                 | 1,048         |
| Longer than 1 year and not longer than 5 years | 1,463               | 2,349         |
| Longer than 5 years                            | -                   | -             |
|  | <b>2,348</b>        | <b>3,397</b>  |

## 27. Subsidiaries

| Name of subsidiary                    | Country of incorporation | Proportion of owners interest and voting power held by the Consolidated Entity |      |
|---------------------------------------|--------------------------|--|------|
|                                       |                          | 2015   | 2014 |
|                                       |                          | %  | %    |
| Webjet Marketing Pty Ltd              | Australia                | 100  | 100  |
| Webjet Operations (Australia) Pty Ltd | Australia                | 100  | 100  |
| PlanitonEarth Pty Ltd                 | Australia                | 100  | 100  |
| Zuji Pty Ltd                          | Australia                | 100  | 100  |
| Webjet USA Holdings Inc.              | United States of America | 100  | 100  |
| Webjet Marketing NZ Pty Limited       | New Zealand              | 100  | 100  |
| Webjet Hotels NZ Pty Ltd              | New Zealand              | 100  | 100  |
| Lots of Hotels Limited                | United Kingdom           | 100  | 100  |
| Webjet International Ltd              | Hong Kong                | 100  | 100  |
| Lots of Hotels LLC                    | Dubai                    | 100  | 100  |
| Zuji Pte Ltd                          | Singapore                | 100  | 100  |
| Zuji Ltd                              | Hong Kong                | 100  | 100  |
| Zuji Travel Pte Ltd                   | Singapore                | 100  | 100  |
| Zuji Properties A.V.V.                | Aruba                    | 100  | 100  |
| Westweb Holdings Limited              | British Virgin Islands   | 100  | 100  |
| Webjet Singapore Limited              | Singapore                | 100  | 100  |
| Webjet Hong Kong Limited              | Hong Kong                | 100  | 100  |
| Sunhotels Holding Co Ltd              | Hong Kong                | 100  | -    |
| Sunhotels AG                          | Liechtenstein            | 100  | -    |
| Sunhotels Ltd                         | UK                       | 100  | -    |
| Sunhotels Mundo                       | Spain                    | 100  | -    |
| Zleeping AG                           | Liechtenstein            | 100  | -    |
| Fyrkant Ltd                           | UK                       | 100  | -    |
| Busy Bee S.L                          | Spain                    | 100  | -    |
| Incoming Ltd                          | UK                       | 100  | -    |
| Eventholiday AG                       | Liechtenstein            | 100  | -    |

## 28. Deed of guarantee

The following companies are party to a deed of cross guarantee under which each entity guarantees the debt of the others:

Webjet Ltd  
Webjet Marketing Pty Ltd  
Webjet Operations (Australia) Pty Ltd  
PlanitonEarth Pty Ltd  
Zuji Pty Ltd

By entering into the deed, each wholly owned entity is exempt from the requirement to prepare a financial report and directors' report under Class Order 98/1418 issued by the Australian Securities and Investments Commission. For the purposes of the Class Order, the above listed companies represent a 'closed group' and, by the absence of any other party to the deed that is controlled by Webjet Ltd, also an 'extended closed group'.

Set out below is a consolidated income statement, consolidated statement of comprehensive income, a consolidated balance sheet and a summary of movements in consolidated retained earnings for the closed group.

## 28 Deed of guarantee (cont'd)

### Consolidated income statement

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| Revenue                                | 76,365         | 64,553         |
| Investment income                      | 1,153          | 906            |
| Other gains and losses                 | 1,323          | 1,587          |
| Share of losses of associates          | -              | -              |
| Employee benefits expenses             | (15,039)       | (13,156)       |
| Depreciation and amortisation expenses | (2,284)        | (1,906)        |
| Marketing expenses                     | (16,118)       | (16,952)       |
| Operating costs                        | (14,391)       | (14,063)       |
| Option expenses                        | (114)          | (283)          |
| Technology expenses                    | (5,066)        | (3,861)        |
| Administrative expenses                | (1,267)        | (1,105)        |
| Directors' fees                        | (270)          | (473)          |
| Finance costs                          | (1,032)        | (333)          |
| Business acquisition costs             | (1,146)        | -              |
| Other expenses                         | (1,655)        | (2,261)        |
| <b>Profit before tax</b>               | <b>20,459</b>  | <b>12,653</b>  |
| Income tax expense                     | (4,375)        | (3,153)        |
| <b>Profit for the year</b>             | <b>16,084</b>  | <b>9,500</b>   |

### Consolidated statement of comprehensive income

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| <b>Profit for the year</b>   | <b>16,084</b>  | <b>9,500</b>   |
| Other comprehensive income, net of income tax                        |                |                |
| <i>Items that may be reclassified subsequently to profit or loss</i> |                |                |
| Exchange differences on translating foreign operations               | -              | -              |
| <b>Other comprehensive income for the year, net of tax</b>           | <b>-</b>       | <b>-</b>       |
| <b>Total comprehensive income for the year</b>                       | <b>16,084</b>  | <b>9,500</b>   |

## 28 Deed of guarantee (cont'd)

### Consolidated balance sheet

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| <b>Current assets</b>   |                |                |
| Cash and cash equivalents                                     | 55,815         | 30,817         |
| Trade and other receivables                                   | 14,794         | 5,585          |
| Other financial assets  | -              | -              |
| Current tax asset   | -              | 1,881          |
| Other assets  | 2,149          | 2,678          |
| <b>Total current assets</b>                                   | <b>72,758</b>  | <b>40,961</b>  |
| <b>Non-current assets</b>                                     |                |                |
| Investments in associates                                     | 44,013         | 16,870         |
| Other financial assets  | 255            | 255            |
| Property, plant and equipment                                 | 2,485          | 2,624          |
| Deferred tax assets   | 3,021          | 3,346          |
| Intangible assets   | 28,484         | 25,984         |
| <b>Total non-current assets</b>                               | <b>78,258</b>  | <b>49,079</b>  |
| <b>Total assets</b>   | <b>151,016</b> | <b>90,040</b>  |
| <b>Current liabilities</b>                                    |                |                |
| Trade and other payables                                      | 47,386         | 21,216         |
| Borrowings  | 4,000          | -              |
| Other financial liabilities                                   | -              | 416            |
| Current tax liabilities                                       | 1,610          | -              |
| Provisions  | 3,104          | 1,613          |
| Other liabilities   | 678            | 382            |
| <b>Total current liabilities</b>                              | <b>56,778</b>  | <b>23,627</b>  |
| <b>Non-current liabilities</b>                                |                |                |
| Deferred tax liabilities                                      | 1,639          | 2,800          |
| Borrowings  | 21,143         | -              |
| Provisions  | 228            | 241            |
| Derivative financial instruments                              | 466            | -              |
| Other liabilities   | 893            | 1,245          |
| <b>Total non-current liabilities</b>                          | <b>24,369</b>  | <b>4,286</b>   |
| <b>Total liabilities</b>                                      | <b>81,147</b>  | <b>27,913</b>  |
| <b>Net assets</b>   | <b>69,869</b>  | <b>62,127</b>  |
| <b>Equity</b>   |                |                |
| Issued capital  | 42,779         | 40,179         |
| Reserves  | 623            | 782            |
| Retained earnings   | 26,467         | 21,166         |
| <b>Total equity</b>   | <b>69,869</b>  | <b>62,127</b>  |
| <b>Summary of movements in consolidated retained earnings</b> |                |                |
|   | <b>2,015</b>   | <b>2,014</b>   |
|   | <b>\$'000</b>  | <b>\$'000</b>  |
| Balance at beginning of financial year                        | 21,166         | 22,186         |
| Profit attributable to owner of the Company                   | 16,084         | 9,500          |
| Payment of dividends  | (10,781)       | (10,520)       |
| Balance at end of financial year                              | 26,467         | 21,166         |

## 29. Investment in associates

| Name of associate                  | Country of incorporation | Proportion of owners interest and voting power held by the Consolidated Entity |           |
|------------------------------------|--------------------------|--|-----------|
|                                    |                          | 2015<br>%  | 2014<br>% |
| Webjet Europe Ltd                  | Malta                    | 50   | 50        |
| Webjet Marketing North America LLC | United States of America | 15   | 15        |

As these investments are immaterial to the Consolidated Entity, financial information is displayed in aggregate below.

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Aggregate carrying amount of individually immaterial associates                       | 104            | 175            |
| Aggregate amount of the Consolidated Entity's share of profits/(losses) of associates | (106)          | (48)           |

## 30. Cash and cash equivalents

### a. Reconciliation of cash and cash equivalents

|                        | Consolidated   |                |
|------------------------|----------------|----------------|
|                        | 2015<br>\$'000 | 2014<br>\$'000 |
| Cash and bank balances | 76,230         | 51,792         |
| Bank overdraft         | -              | -              |
|                        | 76,230         | 51,792         |

### b. Reconciliation of profit for the period to net cash flows from operating activities

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| Profit for the year                                      | 17,500         | 19,127         |
| Impairment of non-current assets                         | -              | 190            |
| Depreciation and amortisation                            | 4,709          | 2,801          |
| Share of losses from associates                          | 106            | 48             |
| Options expense  | 114            | 283            |
| Foreign exchange translation                             | -              | (1,115)        |
| Changes in assets and liabilities                        |                |                |
| Decrease/(increase) in trade, term and other receivables | 10,024         | (3,263)        |
| Decrease/(increase) in prepayments                       | 4,228          | 879            |
| Decrease/(increase) in deferred tax                      | (602)          | (439)          |
| Increase/(decrease) in trade payables and accruals       | 15,625         | (19,763)       |
| Increase/(decrease) in provisions                        | 1,617          | (1,864)        |
| Increase/(decrease) in tax liability                     | 4,162          | (2,241)        |
| Increase/(decrease) in other liabilities                 | (22,054)       | 8,717          |
| Net cash generated from operating activities             | 35,429         | 3,360          |

### 31. Financial instruments

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The group's risk management is based on policies approved by the board of directors. Group finance identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate and the use of derivative financial instruments.

#### a) Capital risk management

The Consolidated Entity has a capital risk and investment policy to provide guidance for its capital requirements. The policy is reviewed annually to take into consideration the Consolidated Entity's changing risk and short and long term funding needs. The Consolidated Entity's debt and capital includes ordinary share capital, and financial liabilities, supported by financial assets. The Consolidated Entity has significant cash reserves and the investment policy ensures that the organisation maximises its return from funds invested whilst adopting a very conservative approach to risk and also ensuring sufficient working capital is maintained.

#### b) Categories of financial instruments

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Financial assets</b>                    |                |                |
| Loans and receivables                      | 34,764         | 20,308         |
| Cash and cash equivalents                  | 76,230         | 51,792         |
| Available-for-sale financial assets        | 265            | 255            |
| Derivatives                                | 309            | -              |
| <b>Financial liabilities</b>               |                |                |
| Fair value through profit or loss (FVTPL): |                |                |
| Amortised cost                             | 98,342         | 43,266         |
| Derivatives                                | 466            | -              |

#### c) Derivative instruments used by the Group

The Group enters into derivative transactions in the normal course of business to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies.

|   | \$'000 | \$'000 |
|---|--------|--------|
| <b>Current assets</b>   |        |        |
| Cross currency interest rate swap contracts - net investment hedges (i) | -      | -      |
| Foreign exchange contracts (ii)   | 309    | -      |
| Total current derivative financial assets                               | 309    | -      |
| <b>Current liabilities</b>  |        |        |
| Cross currency interest rate swap contracts - net investment hedges (i) | 466    | -      |
| Foreign exchange contracts  | -      | -      |
| Total current derivative financial liabilities                          | 466    | -      |

#### i) Cross currency interest rate swap contract - net investment hedge

Webjet entered into a cross currency interest rate swap on 24 September 2014. This derivative is applied as a hedge against the translated net assets of the SunHotels investment. The cross currency interest rate swap is carried at fair value in the consolidated financial statements of Webjet Limited with gains and losses recognised in equity to the extent the hedge is effective. Any hedge ineffectiveness is recognised in profit and loss.

#### ii) Forward exchange contracts

Forward exchange contracts were entered into to manage foreign exchange rate risk on net working capital exposures relating to the Sunhotels group. These contracts are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity. Any changes in fair values are recognised in hedge reserves. During the year ended 30 June 2015 there was a gain from increase in fair value of \$309,000 (2014: \$nil).

### 31 Financial instruments (cont'd)

#### Market Risk

##### i) Foreign exchange rate risk

The group risk management policy is to hedge between 75% and 85% of anticipated cash flows for the subsequent 6 months for the B2B operating segment.

##### Instruments used by the group

Given the significant foreign exchange exposures arising from the B2B business, the group has entered into forward exchange contracts to hedge against fluctuation in the Euro, Norwegian Krona, Swedish Krona, British Pound and United States dollar.

| 2015                      | USD<br>'000 | SGD<br>'000 | HKD<br>'000 | AED<br>'000 | EUR<br>'000 | Other<br>'000 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|---------------|
| Cash and cash equivalents | 4,575       | 2,010       | 5,206       | 37          | 4,455       | 6,795         |
| Trade receivables         | 13,476      | 143         | 521         | -           | 11,201      | 3,512         |
| Trade payables            | (4,109)     | (2,067)     | (1,912)     | (3,402)     | (21,913)    | (1,569)       |
|                           | 13,942      | 86          | 3,815       | (3,364)     | (6,256)     | 8,739         |

| 2014                      | USD<br>'000 | SGD<br>'000 | HKD<br>'000 | AED<br>'000 | EUR<br>'000 | Other<br>'000 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|---------------|
| Cash and cash equivalents | 12,457      | 2,364       | 5,436       | 829         | 195         | 2,025         |
| Trade receivables         | 7,680       | 1,012       | 667         | 1,559       | 904         | 584           |
| Trade payables            | (4,244)     | (3,199)     | (4,411)     | (2,722)     | (4,025)     | (1,840)       |
|                           | 15,893      | 177         | 1,692       | (334)       | (2,926)     | 769           |

##### Hedge of net investment in foreign entity

In 2015, the parent entity has entered into a cross currency interest swap to hedge amounting translated net assets of Sunhotels group to Australian dollar. This instrument, which was taken out to purchase Sunhotels has been designated as a hedge of the net investment. The fair value and carrying amount of the financial liability at 30 June 2015 was \$466,219 (30 June 2014: \$nil). The foreign exchange loss of \$293,947 (2014: \$nil) on translation of the net assets of Sunhotels to Australian dollars at the end of the reporting period is recognised in other comprehensive income and accumulated in the hedge reserve (note 20). The ineffective portion of the hedge amounting to \$172,272 (2014:\$nil) has been recognised in profit and loss for the period.

##### Amounts recognised in profit or loss and other comprehensive income

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2015<br>000's | 2014<br>000's |
| <i>Amounts recognised in profit and loss</i>                        |               |               |
| Total net foreign exchange loss recognised in profit for the period | 172           | -             |
| <i>Amounts recognised in other comprehensive income</i>             |               |               |
| Net loss recognised in other comprehensive income                   | 294           | -             |

The following tables details the Consolidated Entity's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

| 2015           | USD<br>(\$'000) | SGD<br>(\$'000) | HKD<br>(\$'000) | AED<br>(\$'000) | EUR<br>(\$'000) | Other<br>(\$'000) |
|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Profit or loss | 1,394           | 9               | 381             | (336)           | (626)           | 874               |
| Other equity   | -               | -               | -               | -               | -               | -                 |

| 2014           | USD<br>(\$'000) | SGD<br>(\$'000) | HKD<br>(\$'000) | AED<br>(\$'000) | EUR<br>(\$'000) | Other<br>(\$'000) |
|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Profit or loss | 1,589           | 18              | 169             | (33)            | (293)           | 77                |
| Other equity   | -               | -               | -               | -               | -               | -                 |

### 31 Financial instruments (cont'd)

#### ii) Interest rates

The Consolidated Entity does not hedge its exposure to interest rate movements and does not invest in fixed interest financial instruments. At 30 June 2015 it had \$76.2M (2014: \$51.8M) in cash and deposits. The average interest rate on all deposits for 2015 was 3.22% (2014: 3.72%).

| Average Interest Rates | Income<br>(\$'000) | Variance<br>to actual<br>(\$'000) |
|------------------------|--------------------|-----------------------------------|
| 4.72% (+1.0%)          | 1,368              | 324                               |
| 4.22% (+0.5%)          | 1,206              | 162                               |
| 3.72% Actual           | 1,044              | -                                 |
| 3.22% (-0.5%)          | 882                | (162)                             |
| 2.72% (-1.0%)          | 720                | (324)                             |

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with parties considered to be creditworthy. The Consolidated Entity does not require collateral in respect of financial assets. The Consolidated Entity exposure and the credit ratings of its counterparties are continuously monitored. The Consolidated Entity measures credit risk on a fair value basis.

The majority of the trade receivables are with debtors that operate in the travel industry and there is not considered to be any material concentration of credit risk within the Consolidated Entity.

The carrying amount of financial assets in the financial statements, net of any impairment and provision, represents the Consolidated Entity's maximum exposure to credit risk.

#### Liquidity risk management

The Consolidated Entity manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

| Contractual maturities<br>of non-derivative<br>financial liabilities at<br>30 June 2015 | Less than 6<br>months | 6-12<br>months | Between 1<br>and 2 years | Between 2<br>and 5 years | Over 5<br>years | Total<br>contractual<br>cash flows | Carrying<br>amounts of<br>assets/<br>(liabilities) |
|---|-----------------------|----------------|--------------------------|--------------------------|-----------------|------------------------------------|--|
|   | \$000's               | \$000's        | \$000's                  | \$000's                  | \$000's         | \$000's                            | \$000's  |
| <b>Non-derivatives</b>  |                       |                |                          |                          |                 |                                    |  |
| Trade and other payables  | 73,199                | -              | -                        | -                        | -               | 73,199                             | 73,199   |
| Borrowings  | 2,511                 | 2,941          | 4,883                    | 17,320                   | -               | 27,655                             | 25,143   |
|   | 75,710                | 2,941          | 4,883                    | 17,320                   | -               | 100,854                            | 98,342   |

| Contractual maturities<br>of non-derivative<br>financial liabilities at<br>30 June 2014 | Less than 6<br>months | 6-12<br>months | Between 1<br>and 2 years | Between 2<br>and 5 years | Over 5<br>years | Total<br>contractual<br>cash flows | Carrying<br>amounts of<br>assets/<br>(liabilities) |
|---|-----------------------|----------------|--------------------------|--------------------------|-----------------|------------------------------------|--|
|   | \$000's               | \$000's        | \$000's                  | \$000's                  | \$000's         | \$000's                            | \$000's  |
| <b>Non-derivatives</b>  |                       |                |                          |                          |                 |                                    |  |
| Trade and other payables  | 43,266                | -              | -                        | -                        | -               | 43,266                             | 43,266   |
| Borrowings  | -                     | -              | -                        | -                        | -               | -                                  | -  |
|   | 43,266                | -              | -                        | -                        | -               | 43,266                             | 43,266   |

## 31 Financial instruments (cont'd)

### Fair value measurement

The following assets and liabilities are recognised and measured at fair value on a recurring basis:

- Derivatives

Assets classified as available-for-sale are measured at fair value on a non-recurring basis.

### Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed are categorised according to the fair value hierarchy as follows:

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

### Recognised fair value measurements

The following table sets out the group's assets and liabilities that are measured and recognised at fair value in the financial statements

| 30 June 2015                                     | Note | Level<br>1<br>\$'000 | Level<br>2<br>\$'000 | Level<br>3<br>\$'000 | Total<br>\$'000 |
|--|------|----------------------|----------------------|----------------------|-----------------|
| <b>Recurring fair value measurements</b>         |      |                      |                      |                      |                 |
| <i>Financial assets</i>                          |      |                      |                      |                      |                 |
| Derivatives - Foreign exchange contracts         |      | -                    | 309                  | -                    | 309             |
| <i>Total financial assets</i>                    |      | -                    | 309                  | -                    | 309             |
| <i>Financial liabilities</i>                     |      |                      |                      |                      |                 |
| Derivatives - Cross currency interest rate swaps |      | -                    | 466                  | -                    | 466             |
| <i>Total financial liabilities</i>               |      | -                    | 466                  | -                    | 466             |
| <br>   |      |                      |                      |                      |                 |
| 30 June 2014                                     |      | Level<br>1<br>\$'000 | Level<br>2<br>\$'000 | Level<br>3<br>\$'000 | Total<br>\$'000 |
| <b>Recurring fair value measurements</b>         |      |                      |                      |                      |                 |
| <i>Financial assets</i>                          |      |                      |                      |                      |                 |
| Derivatives - Foreign exchange contracts         |      | -                    | -                    | -                    | -               |
| <i>Total financial assets</i>                    |      | -                    | -                    | -                    | -               |
| <i>Financial liabilities</i>                     |      |                      |                      |                      |                 |
| Derivatives - Cross currency interest rate swaps |      | -                    | -                    | -                    | -               |
| <i>Total financial liabilities</i>               |      | -                    | -                    | -                    | -               |

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

The group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

### Disclosed fair values

The group also has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes to the financial statements.

Due to their short-term nature, the carrying amount of trade receivables and payables are assumed to approximate their fair values.

The carrying amount of the borrowings disclosed in note 17 is assumed to approximate fair value because it is a variable rate loan.

## 31 Financial instruments (cont'd)

### Recognised fair value measurements

The following table sets out the group's assets and liabilities that are measured and recognised at fair value in the financial statements.

| Description                                     | Valuation approach and inputs used  |
|---|---|
| Derivatives- Cross currency interest rate swaps | Present value of estimated future cash flows based on observable yield curves |
| Derivatives- Foreign exchange contracts         | Fair value based on forward exchange rates at reporting date                  |

## 32. Share based payments

The following executive share-based payment arrangements were in existence during the current and comparative reporting periods:

### Employee share option plan

| Options series             | Number    | Grant date | Expiry date | Exercise price | Fair value at grant date |
|----------------------------|-----------|------------|-------------|----------------|--------------------------|
|                            |           |            |             | \$             | \$                       |
| John Guscic – Tranche 1(a) | 500,000   | 19/10/2011 | 30/06/2015  | \$2.60         | \$0.22                   |
| John Guscic – Tranche 1(b) | 500,000   | 19/10/2011 | 30/06/2015  | \$2.60         | \$0.22                   |
| John Guscic – Tranche 2(a) | 500,000   | 19/10/2011 | 30/06/2016  | \$3.10         | \$0.20                   |
| John Guscic – Tranche 2(b) | 500,000   | 19/10/2011 | 30/06/2016  | \$3.10         | \$0.20                   |
| John Guscic – Tranche 3(a) | 500,000   | 19/10/2011 | 30/06/2017  | \$3.80         | \$0.22                   |
| John Guscic – Tranche 3(b) | 500,000   | 19/10/2011 | 30/06/2017  | \$3.80         | \$0.22                   |
| John Guscic – Tranche 1(c) | 1,000,000 | 13/11/2013 | 30/06/2018  | \$5.00         | \$0.14                   |
| John Guscic – Tranche 2(c) | 1,000,000 | 13/11/2013 | 30/06/2019  | \$5.50         | \$0.16                   |
| John Guscic – Tranche 3(c) | 1,000,000 | 13/11/2013 | 30/06/2020  | \$6.00         | \$0.21                   |

- a) Tranche 1 – Vested on 1/09/2012 upon achievement of the board determined budget for 2012.  
Tranche 2 – Vested on 1/09/2013 as a result of the Company achieving the board determined budget for 2013.  
Tranche 3 – Lapsed on 1/09/2014 as the Company did not achieve board determined budget for 2014.
- b) Tranche 1 – Vested on 1/09/2012 upon remaining in employment as at 30 June 2012.  
Tranche 2 – Vested on 1/09/2013 as a result of remaining in employment at 30 June 2013.  
Tranche 3 – Vested on 1/09/2014 as a result of remaining in employment at 30 June 2014.
- c) Tranche 1 – Vested on 30/06/2015 as a result of remaining in employment at 30 June 2015.  
Tranche 2 – Vests on 30/06/2016 if remains in employment at 30 June 2016.  
Tranche 3 – Vests on 30/06/2017 if remains in employment at 30 June 2017.

|  | 2015              |                                 | 2014              |                                 |
|--|-------------------|---------------------------------|-------------------|---------------------------------|
|  | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at beginning of the financial year | 6,000,000         | 4.33                            | 3,000,000         | 3.17                            |
| Granted during the financial year          | -                 | -                               | 3,000,000         | 5.50                            |
| Forfeited during the financial year        | (500,000)         | 3.80                            | -                 | -                               |
| Exercised during the financial year (i)    | (1,000,000)       | 2.60                            | -                 | -                               |
| Expired during the financial year          | -                 | -                               | -                 | -                               |
| Balance at end of the financial year (ii)  | 4,500,000         | 4.78                            | 6,000,000         | 4.33                            |
| Exercisable at end of the financial year   | 2,500,000         | 3.33                            | 2,000,000         | 2.85                            |

As at 30 June 2015, the exercise price on outstanding options range from \$3.10 to \$6.00.

### i) Exercised during the financial year

1,000,000 options granted to John Guscic under tranche 1(a) and tranche 1(b) have been exercised on the 25 February 2015 at an exercise price of \$2.60. The share price at date of exercise was \$3.83. The value of the options exercised by John Guscic was \$1,230,000.

### ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$4.78 (2014: \$4.33), and a weighted average remaining contractual life of 3.1 years (2014: 3.5 years).

### 33. Related party transactions

|                              | Consolidated |           |
|------------------------------|--------------|-----------|
|                              | 2015         | 2014      |
|                              | \$           | \$        |
| Short-term employee benefits | 2,678,690    | 1,745,956 |
| Post-employment benefits     | 129,046      | 142,052   |
| Share-based payment          | 114,390      | 283,127   |
|                              | 2,922,126    | 2,171,135 |

#### (b) Transactions with other related parties

##### Transactions between Webjet Ltd and its related parties

Minter Ellison Lawyers of which Don Clarke is a principal was paid a total \$564,645 (2014: \$426,469) during the year. All transactions were conducted on a commercial arm's length basis and charged accordingly.

PT. AbdiTeknologiInformasi (ATI) of which Brad Holman is a director was paid a total of \$94,904 (2014: \$37,255) during the year. All transactions were conducted on a commercial arm's length basis and charged accordingly.

APD Acquire Pty Ltd formerly known as Deal Group Media Pty Ltd, a subsidiary of Asia Pacific Digital Limited of which Roger Sharp is a director was paid \$76,130 (2014: \$nil) during the year. All transactions were concluded on a commercial arm's length basis and charged accordingly.

### 34. Business combinations

#### a) Sunhotels Group

On 1 July 2014 the Group acquired 100% of the issued share capital of the following entities comprising the SunHotels Group:

| Name of subsidiary | Country of incorporation |
|--------------------|--------------------------|
| Sunhotels AG       | Liechtenstein            |
| Sunhotels Ltd      | UK                       |
| Sunhotels Mundo    | Spain                    |
| Zleeping AG        | Liechtenstein            |
| Fyrkant Ltd        | UK                       |
| Busy Bee S.L       | Spain                    |
| Incoming Ltd       | UK                       |
| Eventholiday AG    | Liechtenstein            |

SunHotels, established in 2002, is a substantial online hotel provider specialises in the provisioning of a wide range of hotels and transfers in open resort destinations selling into the major markets of Scandinavia and the UK. As such this acquisition will form an important cornerstone platform for the immediate extension of product sourcing and distribution opportunities underpinned by a fully owned and scalable technology platform which has been operational for over five years.

Goodwill has arisen from synergies expected to be achieved from the acquisition which include the utilization of the SunHotels proprietary software to operate the Groups' B2B business, customer relationships and a trained and assembled workforce which do not meet the definition of a separately identifiable intangible asset.

None of the goodwill is expected to be deducted for tax purposes. At 30 June 2015, the balance is \$14.38m.

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

### 34 Business combinations (cont'd)

| SunHotels                                      | Fair value<br>1-Jul-14<br>AUD<br>\$000s |
|--|---|
| Property, plant and equipment                  | 5,136                                   |
| Intangible Assets                              | 8,748                                   |
| Investments                                    | 58                                      |
| Trade receivables                              | 24,480                                  |
| Cash and cash equivalents                      | 5,618                                   |
| Other receivables                              | 1,789                                   |
| Other assets                                   | 4,676                                   |
| Net debt                                       | (119)                                   |
| Trade and other payables                       | (14,309)                                |
| Tax liabilities                                | (613)                                   |
| Other liabilities                              | (23,876)                                |
| <b>Net identifiable assets and liabilities</b> | <b>11,539</b>                           |
| Goodwill on acquisition                        | 14,381                                  |
| <b>Net assets acquired</b>                     | <b>25,970</b>                           |
| Purchase consideration comprises:              |   |
| Cash paid                                      | 27,143                                  |
| Purchase price adjustment                      | (1,173)                                 |
| <b>Total purchase consideration</b>            | <b>25,970</b>                           |

#### i) Revenue and profit contribution

The acquired business contributed revenues of \$13.8m and net profit of \$0.46m to the group for the period from 1 July 2014 to 30 June 2015.

#### ii) Business Acquisition Costs

Legal fees, advisory costs, stamp duties and other acquisition-related costs of \$1.1m have been included in the profit or loss.

#### iii) Purchase consideration – cash outflow

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Outflow of cash to acquire subsidiary, net of cash acquired |                |                |
| Cash consideration  | 25,970         | 2,208          |
| Less: Balances acquired                                     |                |                |
| Cash  | (5,618)        | -              |
| Outflow of cash – investing activities                      | 20,352         | 2,208          |

#### iv) Purchase price adjustment

The purchase price of \$27,142,857 was subject to an agreed surplus cash net working capital calculation. According to this calculation, the purchase price was reduced by \$1,173,186 and working capital increased by \$894,180.

#### v) Acquired receivables

Identifiable assets acquired include trade and other receivables with a gross contractual and fair value of \$24.5m. All amounts are expected to be collected.

#### vi) Contingent liabilities

There are no contingent assets or liabilities requiring disclosure at the date of this report.

### 36. Events after reporting date

A final dividend of 7.25 cents per share, fully franked has been declared by the directors for payment 17 October 2015.

### 37. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 3 for a summary of the significant accounting policies relating to the Consolidated Entity.

|                              | 30 Jun 15<br>\$'000 | 30 Jun 14<br>\$'000 |
|------------------------------|---------------------|---------------------|
| <b>Financial position</b>    |                     |                     |
| <b>Assets</b>                |                     |                     |
| Current assets               | 11,603              | 3,515               |
| Non-current assets           | 77,868              | 48,769              |
| Total assets                 | 89,471              | 52,284              |
| <b>Liabilities</b>           |                     |                     |
| Current liabilities          | 13,814              | 8,324               |
| Non-current liabilities      | 27,127              | 2,721               |
| Total liabilities            | 40,941              | 11,045              |
| <b>Equity</b>                |                     |                     |
| Issued capital               | 42,779              | 40,179              |
| Retained earnings            | 5,129               | 312                 |
| Reserves                     | 623                 | 748                 |
| Total equity                 | 48,531              | 41,239              |
| <b>Financial performance</b> |                     |                     |
| Profit for the year          | 15,653              | 11,025              |
| Other comprehensive income   | -                   | -                   |
| Total comprehensive income   | 15,653              | 11,025              |

### 38. Auditors' remuneration

|  | Consolidated |            |
|--|--------------|------------|
|  | 2015<br>\$   | 2014<br>\$ |
| <b>Auditor of the parent entity</b>              |              |            |
| Audit or review of the financial report          | 174,000      | 128,500    |
|  | 174,000      | 128,500    |
| <b>Network firm of the parent entity auditor</b> |              |            |
| Audit or review of the financial report          | 198,800      | 97,300     |
|  | 198,800      | 97,300     |

The auditor of Webjet Limited is BDO Audit (SA) Pty Ltd.

## Independent Auditors' Report



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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEBJET LIMITED

#### REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Webjet Limited, which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Webjet Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### Opinion

In our opinion:

- (a) the financial report of Webjet Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 7 to 11 of the directors' report for the year ended 30 June 2015. 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.

### Opinion

In our opinion, the Remuneration Report of Webjet Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'M Haydon', written over the BDO logo.

**BDO Audit (SA) Pty Ltd**

A handwritten signature in black ink, appearing to read 'M Haydon', written over the BDO Audit (SA) Pty Ltd text.

Michael Haydon  
Director

Adelaide, 19 August 2015

## Additional securities exchange information as at 30 June 2015

### Number of holders of equity securities

#### Ordinary Share Capital

80,397,959 fully paid ordinary shares are held by 4,447 individual shareholders. All issued ordinary shares carry one vote per share.

#### Options

4,500,000 options are held by an individual option holder. Options do not carry a right to vote.

### Distribution of holders of equity securities

|                                       | Fully paid ordinary shares | Options  |
|---------------------------------------|----------------------------|----------|
| 1 – 1,000                             | 1,436                      | -        |
| 1,001 – 5,000                         | 2,060                      | -        |
| 5,001 – 10,000                        | 511                        | -        |
| 10,001 – 100,000                      | 444                        | -        |
| 100,001 and over                      | 41                         | 1        |
|                                       | <b>4,492</b>               | <b>1</b> |
| Holding less than a marketable parcel | 200                        | -        |

### Substantial shareholders

#### Ordinary shareholders

|  | Fully paid ordinary shares |
|--|----------------------------|
|  | Number                     |
| Thorney Investments                              | 8,625,345                  |
| Denver Investments                               | 6,968,767                  |
| Mr Steven Scheuer                                | 4,476,254                  |
| MicroEquities                                    | 4,229,723                  |
| State of Georgia Division of Investment Services | 4,054,600                  |
|  | <b>28,354,689</b>          |

### Twenty largest holders of quoted equity securities

#### Ordinary shareholders

|  | Fully paid ordinary shares |              | Partly paid ordinary shares |   |
|--|----------------------------|--------------|-----------------------------|---|
|  | Number                     | %            | Number                      | % |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                  | 19,879,199                 | 24.73        | -                           | - |
| J P MORGAN NOMINEES AUSTRALIA LIMITED                      | 7,428,465                  | 9.24         | -                           | - |
| NATIONAL NOMINEES LIMITED                                  | 7,327,206                  | 9.11         | -                           | - |
| MR STEVEN SCHEUER <NO 1 ACCOUNT>                           | 3,064,745                  | 3.81         | -                           | - |
| CITICORP NOMINEES PTY LIMITED                              | 2,722,589                  | 3.39         | -                           | - |
| BNP PARIBAS NOMS PTY LTD <DRP>                             | 2,381,615                  | 2.96         | -                           | - |
| EQUITAS NOMINEES PTY LIMITED <2874398 A/C>                 | 2,180,268                  | 2.71         | -                           | - |
| JAYELLE SUPER PTY LTD <JOHN LEMISH SUPER FUND A/C>         | 2,050,000                  | 2.55         | -                           | - |
| MICROEQUITIES ASSET MANAGEMENT PTY LTD <NANOCAP NO 6 A/C>  | 2,017,455                  | 2.51         | -                           | - |
| MS KING-ENG TAN  | 1,656,299                  | 2.06         | -                           | - |
| MR STEVEN SCHEUER <NO 2 ACCOUNT>                           | 1,135,717                  | 1.41         | -                           | - |
| MR JOHN LEMISH   | 960,000                    | 1.19         | -                           | - |
| BRISPTOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>    | 910,209                    | 1.13         | -                           | - |
| MR CHRIS CARR + MRS BETSY CARR                             | 875,000                    | 1.09         | -                           | - |
| MR IAN STANLEY BOOTES + MRS KYLIE BOOTES                   | 748,750                    | 0.93         | -                           | - |
| CRIMSON SKIES PTY LTD <CRIMSON SKIES S/F A/C>              | 595,637                    | 0.74         | -                           | - |
| RBC INVESTOR SERVICES AUSTRALIA NOMINEES P/L <WAM ACCOUNT> | 373,063                    | 0.46         | -                           | - |
| DEBUSCEY PTY LTD   | 250,792                    | 0.31         | -                           | - |
| BT PORTFOLIO SERVICES LIMITED <YAZAD SUPER FUND A/C>       | 250,000                    | 0.31         | -                           | - |
| AMP LIFE LIMITED   | 237,913                    | 0.30         | -                           | - |
|  | <b>57,044,922</b>          | <b>70.94</b> | -                           | - |