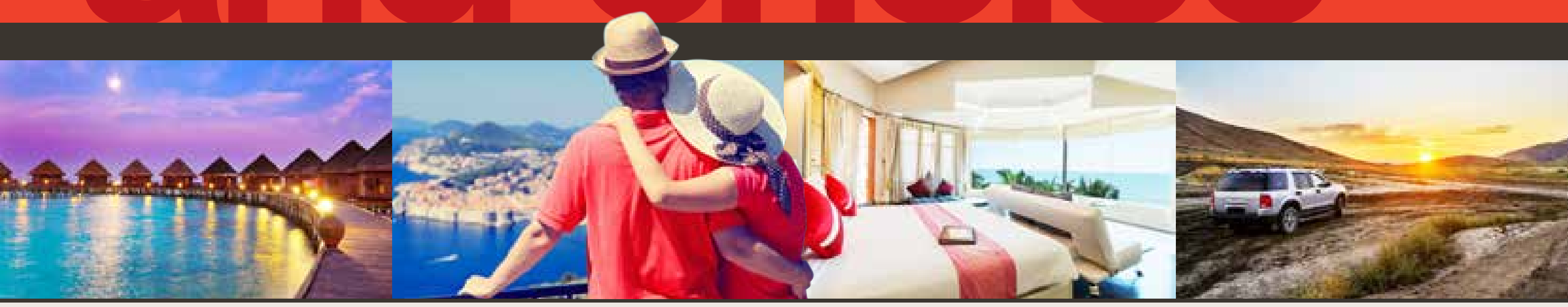
Webjet Limited
Annual Report 2018

convenience and choice



webjet limited

Webjet Limited
ABN 68 002 013 612

Webjet Limited is a digital travel business spanning both consumer (through B2C) and wholesale markets (through B2B).

Travel

B2C

Leading online consumer travel brands

Webjet is the #1 Online Travel Agent (OTA) in Australia and New Zealand.

Online Republic – specialising in online car rental, motorhome and cruise travel bookings.

B2B

Hotels

WebBeds #2 in the global B2B market

Providing online fulfilment of hotel room bookings for travel industry clients.

Global coverage across 3 regions:

- WebBeds Europe
- WebBeds AMEA (Americas, Middle East & Africa)
- WebBeds Asia Pacific

Contents

Dear Shareholder

FY18 was another milestone year for Webjet Limited.

Roger Sharp
Chairman
Webjet Limited

With strong growth across all metrics, our B2C division has maintained and extended its position as the leading online travel agent in Australasia. With continuing strong organic growth and the acquisition of JacTravel, our WebBeds division is now the No.2 global B2B hotels business.

Metrics

Webjet continues to serve more customers in more markets than ever before, with four-year compound annual growth (CAGR) in customer bookings of 44% (of which 28% is organic growth).

Total transaction value (TTV) on continuing operations increased by 54% over the prior corresponding period to $3,012 million, revenues by 54% to $291.0 million, EBITDA by 71% to $87.4 million, NPAT (before AA) by 63% to $55.7 million, NPAT by 30% to $43.2 million and EPS up 10% to 37.5 cents.

Business-to-consumer

Growth in B2C customer activity remains strong, with four-year CAGR of 21% in travel bookings (of which 15% is organic growth).

Webjet.com.au and webjet.co.nz continued to grow strongly, with domestic and international flight bookings growing at more than three times the market rate. Our sales of ancillary products (packages, car hire, insurance and hotels) grew in aggregate faster than flight bookings, and generated higher margins.

Within Online Republic, both the Motorhomes and Cars divisions performed strongly with bookings growing by 16% and 14% respectively. Cruise bookings were down due to a slower regional Cruise market.

Business-to-business

The Company's strategy to build WebBeds is continuing to bear fruit, with the division delivering FY18 bookings growth of 214% (organic bookings up 79%), and four-year CAGR of 147%.

WebBeds now accounts for approximately 45% ($1,354 million) of Group TTV, 39% ($114 million) of Group revenue and 31.5% ($27.2 million) of Group EBITDA respectively.

The acquisition of JacTravel has transformed WebBeds into a significantly larger and more diversified business, providing the catalyst for its reorganisation into three geographic divisions during the year: Europe, Asia Pacific and AMEA (Americas, Middle East and Africa).

WebBeds' partnership with Thomas Cook has continued to perform strongly and will move to a volume-based revenue arrangement from 1 June 2019.

While WebBeds is the number two player in the global B2B market, its relatively small market share supports your Directors' belief that there continues to be significant potential to grow that share through a combination of organic growth and selective acquisitions.

Capital management and cash flows

Cash management has been an area of much focus during FY18.

The Company has reported a full year cash conversion of 159%, higher than expected due to the timing of creditor payments which were deferred during the implementation of a new ERP system in one of our B2B business units. This implementation is now at an advanced stage and we expect our average cash conversion rates to normalise at between 95% and 110% across FY18 and FY19.

The Company paid down $24.6 million of bank debt during the year, resulting in a gearing ratio of 1.4 times at year end.

Governance

The transition we noted in last year's annual report from a small cap to an ASX 200 company has continued. Webjet is now an increasingly complex global business, and we are focused on ensuring that the culture, governance and risk management practices are in place to meet the challenge.

During the year we recruited a new Chief Financial Officer, Tony Ristevski, and welcomed Toni Korsanos to the board. Toni has assumed the important role of Chair of the Board's Audit Committee.

Rajiv Ramanathan will retire as a non-executive Director at this year's Annual General Meeting. His work commitments, which are increasingly Northern Hemisphere-focused, have necessitated his resignation. We thank Rajiv for his thoughtful contribution.

From the 2018 Annual General Meeting Webjet will have five non-executive Directors, of whom two are women. We are proud that 55% of all global employees and around 30% of our Directors and global management team are women.

The Company implemented a new Corporate Social Responsibility Statement during the year that can be seen on our investor website – www.webjetlimited.com.au

Final dividend

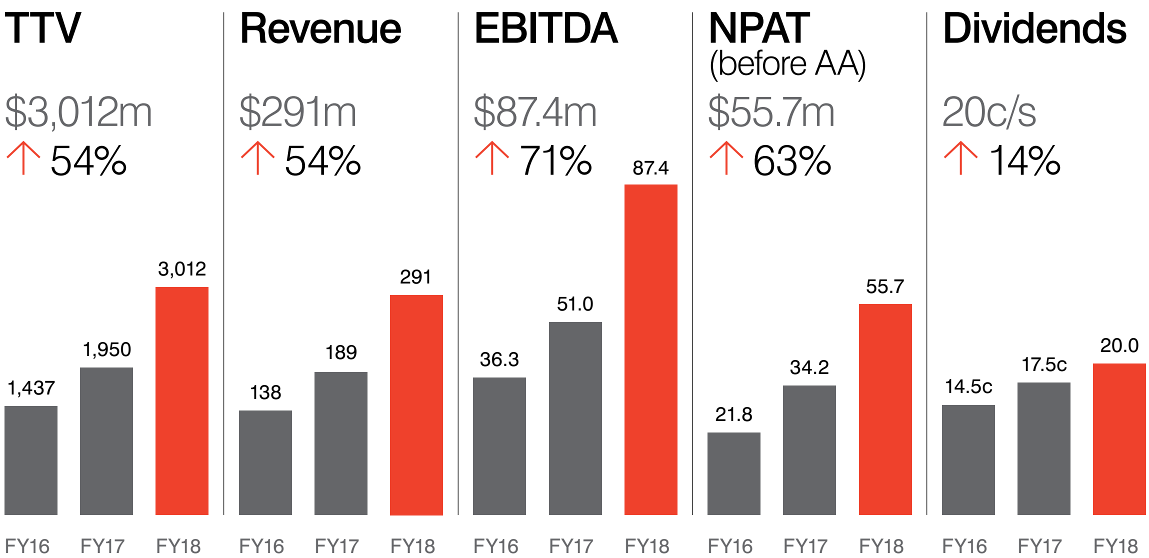
We have increased our final dividend to 12cps, payable on 11 October 2018. The interim and final dividends will total 20cps in FY18, reflecting the strong improvement in core earnings in FY18 and the earnings outlook for FY19.

Our thanks to the Webjet team for a very strong performance this year and our shareholders for their continued support. We look forward to the future with confidence.

Yours sincerely,

Roger Sharp
Chairman Webjet Limited

Financial highlights (for continuing operations)



FY18 was another outstanding year for Webjet – transacting more than $3 billion in TTV and reporting record EBITDA and profit for our underlying business.

The Webjet OTA continues to grow market share as the #1 OTA in the Australian and New Zealand markets and WebBeds is building on its #2 position in the global B2B hotels space following the transformational acquisition of JacTravel in August 2017.

John Guscic
Managing Director
Webjet Limited

Market share growth and scale benefits flowing through in the Webjet OTA

June 2018 marked our 51st consecutive month of record TTV and the strength of the Webjet brand continues to underpin our success in the Australian market. Our ongoing focus on providing the greatest convenience and choice makes it easier for consumers to select the best travel product for their needs. As the #1 OTA, flights bookings continue to grow at more than 3 times the market and the Webjet brand is also playing a key role in ancillary growth – our packages business saw tremendous growth in FY18 and we are seeing more people coming to Webjet to purchase stand-alone travel insurance and car hire. We have been delighted with the growth of our ancillary businesses and they have contributed to the increased TTV margins this year.

Since the successful transition to the Cloud in 2014, we have been committed to ongoing product and technological advancements to better understand consumer behaviour. This enables us to be more responsive and agile in our offering, as well as build better relationships with our airline and other partners. Our consistent #1 ranking in industry wide customer service benchmarking studies is a testament to our ongoing commitment to delivering superior service for our customers.

Our market share continues to grow – we are now more than 5% of the domestic flight market and more than 3% of the international flight market – and our greater scale continues to deliver increased EBITDA margins.

Motorhomes and Cars growing well for Online Republic although Cruise remains a difficult market

Both Motorhomes and Cars grew well in excess of growth rates in their underlying markets – Motorhomes saw strong growth in Europe and North America and Cars benefited from improved pricing strategies during FY18. Online Republic supplies the car hire product for the Webjet OTA and has played a key role in driving that growth. Cruise however continued to underperform in line with a material slowdown in the Australian/New Zealand cruise market, making it difficult for aggregators.

WebBeds is the fastest growing B2B player in the world

The acquisition of JacTravel in August 2017 made WebBeds the #2 global B2B player and we have continued to build on that position with significant bookings, TTV and EBITDA growth across all regions. The integration has gone well and JacTravel has been instrumental in strengthening our competitive market position, increasing our size in all regions and significantly expanding our pool of directly contracted hotel inventory. Direct contracts are a key component of our multi-supply aggregation strategy, helping feed our global distribution network and reducing reliance on third party suppliers. During the year we continued to increase direct contracts in key markets (particularly Asia and the Americas), and we now have direct contracts with more than 21,000 hotels. These higher margin supply sources are now delivering more than 50% of WebBeds sales, up from 30% in FY17.

As the fastest growing B2B player in the world, the network effect continues to deliver enormous benefits, increasing our relevance to both hotel supply sources as well as travel industry clients.

We are now the #2 player in MEA, and the Americas and Asia Pacific performed particularly well during the year.

After a relatively slow start in terms of getting technology access in place, the Americas became profitable during the year. We expanded further into Latin America, now operating in 15 countries and the USA is the single biggest destination for WebBeds.

Asia remains the fastest growing B2B region and we invested further during FY18 to ensure we reach scale as quickly as possible. We are delighted with how the Asian business is going, turning profitable in May 2018.

Europe remains our single largest market and we continue to grow significantly faster than the underlying market, with strong growth in important source markets such as the UK, France, Spain and Germany.

Our Thomas Cook partnership continues on track, with the majority of the 3,000 direct contracts we acquired now available on the WebBeds system. These contracts are sold at full margin to non-Thomas Cook clients and were a key contributor to our increased TTV margins during the year.

Regional restructure under a global WebBeds brand

Following the acquisition of JacTravel (which operated in Europe, the Middle East, North America and Asia), we had multiple platforms operating across regions. As one of few truly global B2B players, we felt it was important to be well-positioned to pursue global growth opportunities and minimise inefficiencies from managing multiple platforms across the same supplier and customer base. We therefore made the strategic decision to restructure the WebBeds business along regional lines and from 1 January 2018, we moved to a global WebBeds brand operating in three key regions – Europe, AMEA and Asia Pacific. Our various product platforms (Lots of Hotels, Sunhotels, FIT Ruums and JacTravel) continue to operate under the broader WebBeds umbrella and customers now have a single WebBeds customer contact who works with them to determine the most appropriate product platform for their needs. During the course of the year, we streamlined our technology platforms in order to better support the regional structure.

Rezchain, our blockchain initiative, continues to drive efficiencies within participating WebBeds businesses, showing a dramatic reduction in account reconciliation issues, reducing overheads and customer friction at check-in. In February 2018 we announced the Phase 1 roll out of Rezchain with 4 significant external partners who will implement Rezchain within their own businesses and provide feedback during FY19.

Outlook

B2C – as the largest OTA in Australasia, with more than 5% of the domestic market and 3% of the international market, we believe we are well positioned for ongoing bookings growth as the B2C market continues to shift online. We are therefore continuing to target bookings growth rates for B2C of more than 3 times the underlying market for FY19 and FY20. We also see significant growth opportunities in Packages and will continue to improve our ancillary offerings to meet growing customer demand for a wider choice of travel products.

B2B – Over the past 5 years, we have built a global B2B distribution network with staff in 30 countries selling to over 170 destination countries through clients in more than 130 source markets worldwide. As one of the few truly global B2B players, this provides us with an unparalleled opportunity to grow the business significantly faster than underlying market growth rates. We have grown in size but are not yet at scale in all markets and as such, see considerable growth opportunities ahead of us as the global B2B industry continues to consolidate. We therefore remain committed to targetting bookings growth rates for B2B of more than 5 times the underlying market for FY19 and FY20.

We also continue to look for opportunities to expand our directly contracted inventory by leveraging our existing contracting staff in all regions as well as through strategic acquisitions. The successful integration of JacTravel provides a blueprint for future acquisitions.

Finally, I would again like to thank all of our staff for their ongoing commitment to the company, as well our many loyal customers and consumers who help drive our market leadership positions.

John Guscic
Managing Director Webjet Limited

Operating Overview

The FY17 Statutory Result includes gain from the sale of Zuji plus other one-offs. In order to demonstrate the performance of the underlying businesses, Continuing Operations excludes these items.

Webjet Limited	Statutory		Continuing Operations[1]	
TTV	$3,012 million	up 47%	$3,012 million	up 54%
Revenue[2]	$291.0 million	up 33%	$291.0 million	up 54%
EBITDA	$86.3 million	up 23%	$87.4 million	up 71%
NPAT (before AA)[3]	$54.0 million	up 1%	$55.7 million	up 63%
NPAT	$41.5 million	down 21%	$43.2 million	up 30%
EPS (before AA)	46.9 cents	down 15%	48.4 cents	up 38%
EPS	36.0 cents	down 33%	37.5 cents	up 10%
EBITDA Margin	29.6%	down 231 bps	30.0%	up 303 bps

1. Continuing operations is based on a like-for-like comparison – FY18 excludes $1.7 million costs associated with acquisition of JacTravel. FY17 excludes Zuji, proceeds from sale of Zuji and one-off adjustments including change in accounting treatment for Exclusives acting as principal, termination of car hire contract, performance rights and related incentives.
2 Revenue is shown net of costs of sale as principal (i.e. on agency basis).
3 Acquisition Amortisation (AA) includes charges relating to amortisation of intangibles acquired through acquisition

Record profit from Continuing Operations

TTV for Continuing Operations was $3,012 million, up 54% compared to FY17. EBITDA was up 71% to $87.4 million and EBITDA margin increased to 30% reflecting increased scale in the Webjet OTA and improved profitability in WebBeds. NPAT (before AA) was up 63% to $55.7 million and NPAT was up 30% to $43.2 million.

Strengthened balance sheet

Net assets increased $226 million during the year. Cash balance of $190.8 million as at 30 June 2018, included $25.9 million of client funds. This compared to cash balance of $178.1 million as at 30 June 2017 (including $21.2 million of client funds). During the year, $74 million of existing cash reserves were used to fund the acquisition of JacTravel.

Borrowings increased $73.2 million to $122.7 million during the year. The JacTravel acquisition involved $100 million debt funding and $24.6 million of debt was repaid during the year.

Strong cash position

Strong cash conversion continues to underpin our earnings growth. FY18 cash conversion (Operating cash flow/EBITDA) was 159% compared to 92% for FY17. This increase was largely due to implementing a new financial ERP system within B2B that resulted in delays in supplier payments during 2H18. As a result, payments were not made until early 1Q of FY19, resulting in a build-up in accounts payable. Adjusting for the delay in accounts payable, cash conversion would have been 97%.

Increased dividend

The fully-franked final dividend of 12 cents, brings the total dividend to 20 cents, an increase of 14% over FY17.

Webjet

Webjet OTA	Continuing operations	
Bookings	1,548,568	up 10%
TTV	$1,345 million	up 14%
Revenue	$145.6 million	up 20%
EBITDA	$58.7 million	up 36%
TTV/revenue margin	10.8%	up 52 bps
EBITDA margin	40.3%	up 473 bps

Overall bookings were up 10%. Average Booking Value (ABV) increased 4% and TTV margins rose to 10.8% reflecting the impact of higher margin ancillary products. Ancillary products (packages, car hire, insurance and hotels) are all higher margin than flights and, in aggregate, are growing faster than flights. Our focus on cost-efficient marketing strategies kept marketing costs constant at 2% of TTV and together with effective management of other costs, EBITDA margin increased to 40.3%.

Online Republic

Online Republic	Continuing operations	
Bookings	501,130	up 12%
TTV	$313 million	up 7%
Revenue	$31.5 million	up 5%
EBITDA	$13.3 million	down 11%
TTV/revenue margin	10.1%	down 18 bps
EBITDA margin	42.1%	down 792 bps

Motorhomes and Car bookings grew 16% and 14% respectively compared to FY17, well ahead of underlying market growth. Cruise bookings fell 6% due to a material slowdown in the regional cruise market. Motorhomes saw strong growth in European and North American markets driven by foreign language platforms and increased US supply. The Netflix tax came into force from 1 July 2017, however improved pricing strategies helped offset the additional cost. Slower growth in the regional cruise market (4.4% in 2017 compared to 21% in 2016) and reduced capacity, due to fewer ships operating in the region, made it a difficult market for aggregators. EBITDA was down 11% to $13.3 million, impacted by the lower contribution from Cruise, the impact of the Netflix tax and currency depreciation.

WebBeds B2B Hotels Business

The acquisition of JacTravel in August 2017 contributed to the significant growth of the WebBeds businesses during FY18.

WebBeds	Continuing operations	
Bookings	2,277,410	up 214%
TTV	$1,354 million	up 181%
Revenue	$114.0 million	up 203%
EBITDA	$27.2 million	up from $0.4 million
TTV/revenue margin	8.4%	up 61 bps
TTV/revenue margin (excl TC)	9.2%	up 93 bps
EBITDA margin	23.8%	up from 0.9%

FY18 saw strong organic bookings growth with all regions growing significantly faster than their underlying markets. TTV margins continue to improve – excluding Thomas Cook TTV (for which no revenue is earned until 1 June 2019), TTV margin was 9.2%. This is largely due to increased size in all regions, as well as more sales from higher margin direct contracts. The FY18 EBITDA result reflects the 10 month contribution from JacTravel, as well as improved profitability in the existing WebBeds businesses.

WebBeds AMEA

Bookings increased 109% to 571,469 and TTV increased 80% to $385 million. EBITDA for AMEA was $11.6 million, up 335% over FY17, largely driven by the contribution from JacTravel, as well as improved profitability in the existing WebBeds businesses.

WebBeds Europe

Bookings increased 235% to 1,296,245 and TTV increased 221% to $775 million. Excluding Thomas Cook TTV, TTV increased 208%. June 2018 TTV was negatively impacted by the World Cup and record hot summer. We continue to see strong growth in a number of key markets including UK, Germany, Spain and France. EBITDA increased from $0.9 million to $17.6 million due to the contribution of JacTravel and improved profitability in the existing WedBeds businesses.

Thomas Cook TTV was $116 million, an increase of 326%. Costs increased during the year reflecting annualisation of FY17 costs associated with supporting the Thomas Cook agreement. All costs associated with supporting the Thomas Cook agreement are now included in WebBeds Europe results. We do not expect any incremental costs going forward.

WebBeds Asia Pacific

Bookings increased 530% to 409,696 and TTV increased 620% to $195 million, reflecting the significant growth in the existing Asian business as well as the contribution of JacTravel. Asia remains the fastest growing B2B region and our decision to invest further during the year in order to get to scale as quickly as possible is already delivering results. Asia Pacific turned profitable in May 2018. FY18 loss was $2.1 million, 37% less than FY17. The main investment costs were associated with opening new offices and increasing contracting and sales staff across the region.

Corporate

Corporate	Continuing operations
EBITDA	($11.7 million), ($7.5 million) in FY17

Foreign Exchange (FX) is managed centrally across the business and FY18 costs include FX losses of $2.2 million reflecting our substantially increased international operations and FX volatility. A revised hedging policy going forward is expected to reduce FX volatility.

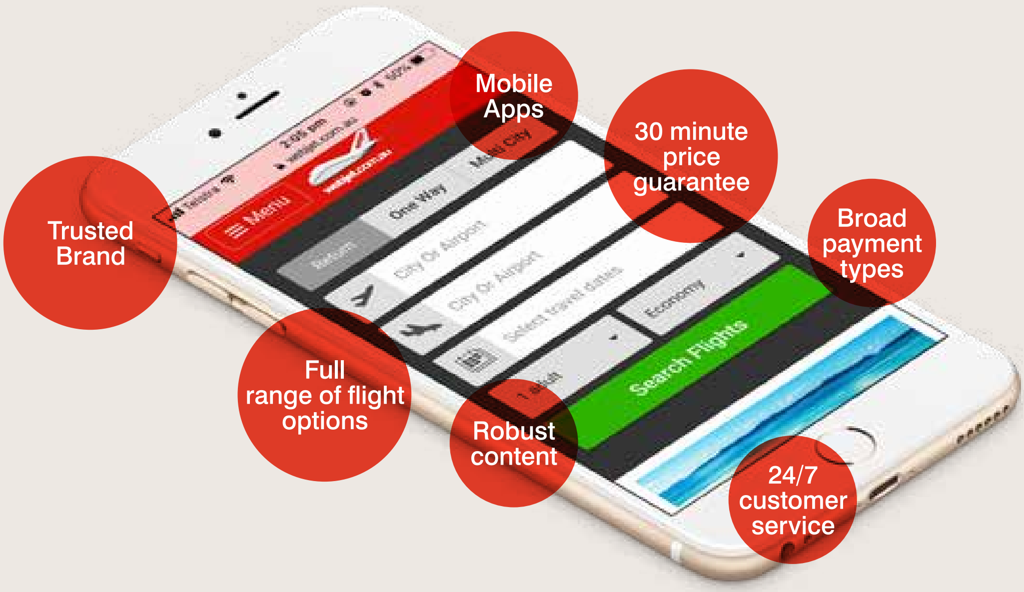
The balance of the cost increase in FY18 reflects investment across the Group function to support increased global scale, stronger governance and other corporate overheads.

B2C

webjet.com.au

Webjet has been the #1 OTA in Australia and New Zealand since 2010 offering our customers the greatest convenience and choice in online travel.

We continue to gain share in both domestic and international flight bookings, as well as increase our presence in broader ancillary travel products including holiday packages, car hire and insurance.



We are focused on providing user-friendly, frictionless transactions to enable people to select the right travel product for them.

- **Full range of flight options** – our unbiased, easy-to-use matrix format displays all airlines, flight times and prices allowing customers to choose the airline, class and product offering that best suits them.
- **Robust content** – our RouteHappy integration allows international airlines to visually showcase comprehensive product features including aircraft type, seat pitch layout and entertainment options, improving the shopping experience and helping customers make more informed decisions. We also offer a range of superior chat, messaging and social engagement services throughout the booking process to help make the experience as frictionless as possible.
- **Mobile Apps** – we continue to improve our offering including display enhancements integrating Uber pick-ups and simplifying the checkout process.
- **30 minute price guarantee** – our booking fee includes a 30 minute price guarantee ensuring the fare displayed during your search will be available at the time it comes to pay, even during times of peak demand.
- **Broad payment types** – our wide range of payment options include credit/debit cards, PayPal, Webjet vouchers, Bankwest points, NAB rewards points. American Express membership rewards points, JCB cards, Visa Checkout and Webjet gift cards. We let customers choose the option that best suits them.
- **Superior customer service** – we remain proud of our consistent #1 ranking in industry wide customer service benchmarking studies. We offer 24/7 call centre assistance on any booking issue to fully support our customers. Delivering exceptional customer service is a core feature of Webjet's offering and we collect real time feedback at multiple customer touchpoints in order to continually improve our service offering.
- **Trusted brand** – we have great loyalty through building a brand that customers trust to provide the greatest convenience and choice to enable them to select the right travel product for them.

Flight bookings continue to outperform the market

Webjet OTA flight bookings growth outperforming the market by more than 3 times during FY18

Growth	Webjet	Market
Domestic Bookings	8%	2.5%[1]
International Bookings	14%	4.1%[2]

1 Domestic Passenger Numbers Growth 12 months to June 2018. Source BITRE.

2 Seasonally Adjusted Short Term Resident Arrivals 11 months to May 2018. Source Australian Bureau of Statistics.

Fully migrating to the Cloud has allowed us to better understand consumer purchasing behaviours and make ongoing improvements to our product offering. Key initiatives driving increased visitations and conversions during the year included:

- Enhanced filtering on mobile/desktop flight results pages to further **enhance user experience**
- **Optimised passenger profile** management for SME customers
- Delivered **in-App Messaging**, enabling more convenient customer service
- Launched **static & dynamic package propositions** to the New Zealand market
- Launched **physical Gift Cards** in over 2,000 retail outlets nationally
- Launched **in-App price alerts** to notify customers when fare prices change
- **Re-design of mobile site** to improve displays for Domestic & Trans-Tasman flights
- **Optimised airline schedule change communications** to enhance customer experience and minimise disruptions

More than just flights

While flights remain a core part of our offering, we also offer a wide range of ancillary products and services to help customers fulfil their travel needs. Our more than 2.5 million subscribers receive regular emails highlighting current offers and sales across our entire product range.

Non-flight revenues are becoming more meaningful

Our ancillary product offerings are an important driver of our growth – ancillary products are higher revenue margin than flights and in aggregate, ancillary revenue is growing faster than flight revenue.

Ancillary products accounted for
27%
of Webjet OTA revenue in FY18.

- **Exclusives** – exclusively contracted holiday packages providing memorable travel experiences at affordable prices. Tours include flights, hotels, sightseeing, transfers and often include other experiences such as cruises, rail journeys and more
- **Dynamic holiday packages** – allows customers to combine our broad range of flights and hotels to deliver savings
- **Travel insurance** – backed by industry leader, Allianz
- Over 160,000 **hotels** worldwide
- **Car hire** – 800+ suppliers at more than 30,000 locations powered by airportrentals.com, the #2 online car rental website in Australia and New Zealand
- **Motorhomes** – powered by the #1 global motorhome rental site, MotorhomeRepublic.com
- **Cruise** – over 4000 cruises from 20+ cruise lines powered by the #1 online cruise agency in Australia and New Zealand, Cruisesalefinder.com.au

B2C

Online Republic is a global digital travel group specialising in online car rental, motorhome and cruise travel bookings.

An online aggregator with contracted relationships with all of the leading global suppliers in each category, Online Republic connects customers to the best deals across desktops, mobiles and tablets. Our local based reservations staff are able to offer advice and concierge-level service to match the right product to our customers' needs. We now offer flight options to enable customers to easily combine their fly/cruise and fly/drive packages.

Airportrentals.com

Online Car Rentals

#2 IN ANZ

Airportrentals.com has contracts with all of the major global suppliers and operates across 138 countries, with websites supported in 8 languages. Since January 2017, Airportrentals.com has been providing car hire inventory and a car hire white label website for the Webjet OTA and has been a key driver of growth in that business, through delivering enhanced user experiences on mobile devices and ongoing optimisation of the car hire user interface.

In FY18, bookings grew 14%, significantly outperforming global car hire bookings growth and average revenue per booking increased. Improved pricing strategies for insurance products helped offset the impact of the Netflix tax that came into effect on 1 July 2017.

In addition to growing share in the Australian and New Zealand markets, we have been developing new markets outside Australasia such as North America, Europe, South Africa and Chinese outbound travellers.

Motorhome Republic

Online Motorhomes

#1 GLOBALLY

Operating in 8 languages, with contracts with all the major global suppliers, MotorhomeRepublic offers consumers the ability to book a camper van from any of over 450 locations across 28 countries.

In FY18 while Australian and NZ source markets had modest bookings growth of 5%, the European and North American markets experienced significant bookings growth up 30% and 21% respectively. Foreign language bookings are driving growth in Europe, while additional US supply sources drove growth in the North American market.

The business remains well positioned to take advantage of growth in the "independent traveller" segment with increased demand expected from North American and European markets both in terms of destinations as well as source markets for outbound travel.

CruiseSaleFinder

Online Cruises

#1 IN ANZ

Providing the cruise offering for the Webjet OTA since mid 2014, CruiseSaleFinder offers the best cruise line deals to the Australian and New Zealand markets. It has been awarded *CLIA NZ Cruise Agency of the Year* for the past three years in a row and was nominated as a finalist by the Travel Agency Association of New Zealand (TAANZ) as part of their Annual National Travel Industry Awards for "Best OTA in 2018". Cruise bookings are typically more "high touch" than other travel products and our Cruise Line International Association (CLIA) award winning consultants are available to provide advice and answer booking queries.

Cruise continued to be a difficult market for aggregators during FY18. We saw a material slowdown in regional cruise market growth with 4.4% growth during 2017 compared to 21% during 2016.[1] In addition, there was reduced capacity due to fewer ships operating in the region compared to the previous year.

1 Source: CLIA 2018 Cruise Report.

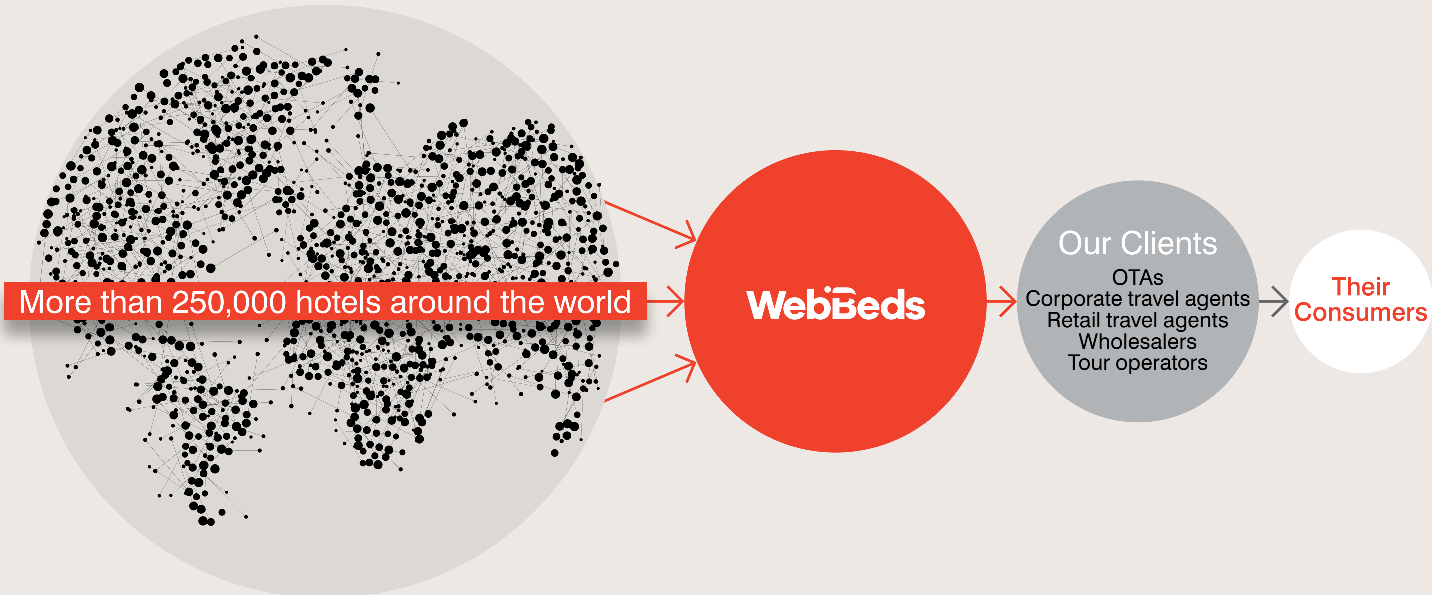
B2B

WebBeds

What is the B2B hotels market?

WebBeds acts as an online intermediary between our travel provider clients seeking to fulfil accommodation requirements for their consumers and the more than 250,000 global hotels seeking to manage their occupancy rates.

Online fulfillment of hotel room bookings



Why is B2B important?

B2B is an important part of the global travel industry

Notwithstanding the ongoing global shift to online direct to consumer services that we stand to benefit from in our B2C businesses, we believe there will always be a role for travel intermediaries and the B2B market is an important part of the global travel industry.

WebBeds make it easier for our B2B clients…

We help our B2B clients fulfil hotel room requests for their consumers. In a highly fragmented market, going direct to hotels themselves is time consuming, costly and inefficient for our clients and WebBeds makes it easier by providing them with easy access to a wide range of hotel room inventory.

…and our hotel supply partners

WebBeds helps hotels better manage their occupancy rates by providing longer horizon bookings and reducing reliance on shorter term and less predictable bookings direct from consumers. Hotels therefore provide B2B players with room allocations at attractive rates to help smooth lumpiness in occupancy rates. Many hotels (particularly smaller, independent hotels) do not have strong distribution reach and B2B players like WebBeds can provide access to a broader distribution platform.

The B2B market – a US$50+ billion opportunity

We believe the global B2B market size is more than US$50 billion in terms of TTV, with each region having different market characteristics. Very few players have a global presence and as a result, the global market is highly fragmented with the majority of participants having specialised, local offerings and relatively small market share.

Significant growth opportunity

WebBeds is the #2 player in the B2B market, yet our current market share is less than 3% of the total global market

B2B Global Market Size
(TTV $US)

B2B

The WebBeds model

Our WebBeds model is designed to offer **the greatest convenience and choice** providing a user-friendly solution to the global hotel room supply and distribution challenge. We offer hotel suppliers access to the fastest growing global distribution platform while our clients receive the greatest breadth and depth of hotel rooms at highly competitive prices.

Our Multi-supply Aggregation Strategy

Full global inventory offering

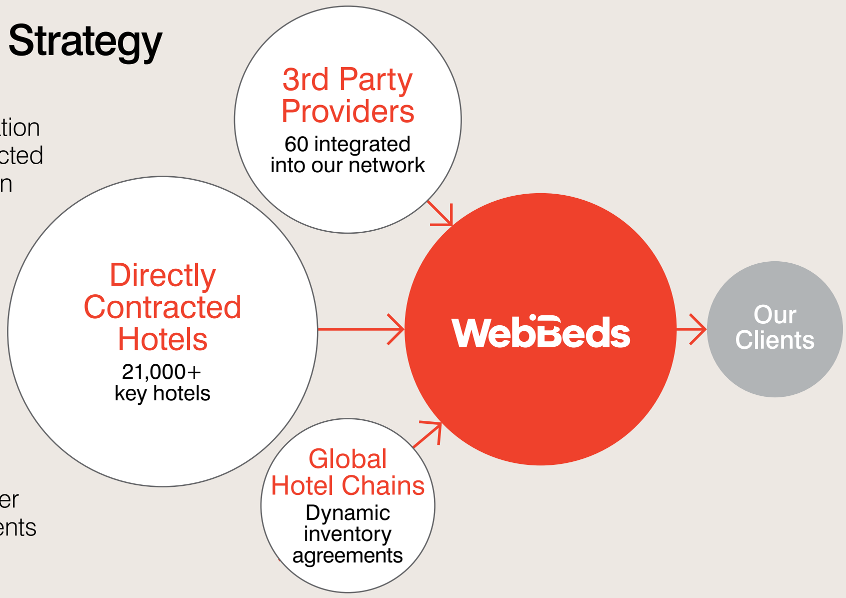
Unlike other B2B players, our multi-supply aggregation strategy uses a combination of both directly contracted and third party inventory to offer rooms at more than 250,000 hotels around the world.

Highly competitive prices

All supply sources are aggregated and only the lowest priced option is displayed to our clients. As many hotels have multiple supply sources, our clients only see the most competitive room rate.

User-friendly technology

With just one connection, our clients are able to access our global inventory offering. Access is either through direct website or XML connections and clients choose the best option for them.



Our competitive advantage

One of very few global players

WebBeds is one of the few B2B players able to provide clients a global inventory offering, as well as provide hotel suppliers access to global distribution reach.

Greatest breadth and depth of inventory offering

Our direct contracting efforts are focused on key hotels in important markets while 3rd party providers help ensure a broad global offering without the need to increase contracting costs. Higher revenue margin direct contract sales now account for more than 50% of WebBeds sales.

Low cost model

Our entire WebBeds offering is designed to effectively manage costs. In addition to our multi-supply aggregation model, we have cost effective customer support centres and Rezchain (our industry leading blockchain solution) is helping reduce overhead costs.

Highly efficient technology speed

Technology underpins our ability to efficiently deliver inventory pricing to our customers and our market-leading technology offers sub-second response times for XML connections.

Entrepreneurial, experienced management team

Our management team has significant industry experience having built leading B2B businesses in each of WebBeds geographic markets. Our entrepreneurial, customer-centric culture focuses on providing the best outcome for both our hotel partners and our clients.

The Network effect

As the fastest growing B2B player in the world, the network effect continues to accelerate. The more we grow our global client base, the more relevant we become to hotels as a means of distribution. As a result, we are able to negotiate deeper room allotments at better prices, further enhancing our client offering.

B2B

WebBeds is the #2 B2B player globally...

Our global network

- Afghanistan
- Albania
- Algeria
- Andorra
- Angola
- Argentina
- Armenia
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Bolivia
- Bosnia
- Botswana
- Brazil
- Brunei
- Bulgaria
- Cambodia
- Canada
- Chile
- China
- Colombia
- Costa Rica
- Croatia
- Cyprus
- Czech Republic
- Democratic Republic of the Congo
- Denmark
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Estonia
- Ethiopia
- Finland
- France
- Georgia
- Germany
- Ghana
- Greece
- Guatemala
- Haiti
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Ireland
- Israel
- Italy
- Ivory Coast
- Japan
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kuwait
- Latvia
- Lebanon
- Libya
- Liechtenstein
- Lithuania
- Luxembourg
- Macedonia
- Malawi
- Malaysia
- Maldives
- Malta
- Mauritius
- Mexico
- Micronesia
- Moldova
- Monaco
- Mozambique
- Namibia
- Nepal
- Netherlands
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Norway
- Oman
- Pakistan
- Panama
- Paraguay
- Peru
- Philippines
- Poland
- Portugal
- Qatar
- Romania
- Russia
- Rwanda
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Singapore
- Slovakia
- Slovenia
- South Africa
- South Korea
- Spain
- Sri Lanka
- Swaziland
- Sweden
- Switzerland
- Taiwan
- Tanzania
- Thailand
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- Uruguay
- USA
- Uzbekistan
- Venezuela
- Vietnam
- Yemen Republic
- Zambia
- Zimbabwe

...selling to over 170 destination countries through our clients in more than 130 source markets worldwide

B2B

WebBeds global offering

Regional restructure

Since January 2018, WebBeds has been structured around regions rather than brands in order to bring a greater customer-centric focus and ensure we are best placed to tap into global growth opportunities.

Operating in 3 key regions – Europe, Asia Pacific and the Americas, Middle East and Africa (AMEA) – our geographic structure ensures we stay as close to our partners as possible, delivering the most appropriate product offering and solution for their individual geographic needs.

Our various product platforms – Lots of Hotels, Sunhotels, FIT Ruums and JacTravel – continue to operate across the regions. The regional focus facilitates the offering of multiple products and platforms through a single customer contact and enables us to cross-leverage inventory offerings between brands. The new structure also eliminates duplicate costs (including contracting and sales) as well as centralises key functions including Finance and IT.

Regions	Product platforms
WebBeds Europe	lotsofhotels
WebBeds AMEA	sunhotels.
WebBeds Asia Pacific	FIT RUUMS Always stronger together
	JacTravel

WebBeds Europe

Bookings growth rates

WebBeds	European Market
235%	3%*

Europe remains one of the most important B2B markets given the significant number of independent hotels and in general, higher TTV margins than other regions. During FY18, we focused on increasing direct contracts, deepening hotel room allocations and expanding our customer base in both new and existing markets.

We currently operate in over 30 markets across Europe and during the year we saw significant growth in larger source markets of the UK, Germany, Spain and France, continuing diversification away from the Nordics market, while still retaining market leadership. Our bookings growth of 235% and organic bookings growth rate of 65% compared to an average European market growth rate of around 3%.

Thomas Cook partnership

We remain on track to take over responsibility for contracting the majority of volume for Thomas Cook's complementary hotel business, with the majority of the 3,000 contracts we acquired now available for sale on the WebBeds platform. These contracts are sold to non-Thomas Cook parties at full margin and accounted for 18% of 2H18 European direct contract sales and were a key contributor to increased TTV margins during the year. The transition phase (during which we recognise no revenue from sales made to Thomas Cook) is due to end in May 2019 and from 1 June 2019, we will switch to a volume based earning arrangement which offers significant revenue and EBITDA potential.

* Management estimate.

WebBeds AMEA

Bookings growth rates		
WebBeds	Americas Market	MEA Market
109%	3%*	–

Middle East and Africa

WebBeds again saw strong growth in a flat market, with organic bookings up 19%. WebBeds continues to gain share and we are now the #2 player in the region.

Operating in 25 markets, our multi-supply aggregation model allows us to offer a unique coverage across the Middle East & Africa. Our FY16 investment in increasing contracting and sales staff is now delivering with a higher proportion of sales coming through higher margin direct contracts and international hotel chains.

The Americas

We continued to see strong traction with organic bookings up 145% compared to underlying market growth of around 3%.

Since launching in FY16, the Americas are now profitable with higher margin supply sources and increased size driving EBITDA contribution. The USA is now the largest destination for WebBeds customers and, during the year, we expanded further into Latin America and now operate in 15 countries.

WebBeds Asia Pacific

Bookings growth rates	
WebBeds	Asian Market
530%	8%*

As the fastest growing B2B region in the world, Asia remains a key focus. Bookings were up 530% and organic bookings were up 318% compared to market growth of around 8%. In order to reach scale as quickly as possible, in FY18 we invested in expanding our sales and contacting teams, as well as opening new offices across the region. Asia Pacific turned profitable in May 2018.

We now operate in 11 markets across the region, opening new offices during the year in Japan, China and Australia. China is our single biggest market in the region, leveraging our strategic partnership with DIDA Travel.

We continue to see strong growth in direct contracts across Asia Pacific with over 1,500 now available on our platform, up from 200 in FY17.

* Management estimate.

Directors' Report

Your Directors present their report on the Consolidated Entity consisting of Webjet Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018.

For the purposes of this Directors' report, the terms "Company" and "Webjet" refer to Webjet Limited and "Group" and "Consolidated Entity" refers to Webjet Limited and its consolidated entities.

The Board currently comprises seven Directors, including six Non-Executive Directors. The Directors are:

(i) Roger Sharp - Chairman (Age: 57)
(ii) John Guscic - Managing Director (Age: 54)
(iii) Don Clarke - Independent Non-Executive Director (Age: 64)
(iv) Brad Holman - Independent Non-Executive Director (Age: 56)
(v) Shelley Roberts - Independent Non-Executive Director (Age: 43)
(vi) Rajiv Ramanathan - Independent Non-Executive Director (Age: 48)
(vii) Toni Korsanos – Independent Non-Executive Director (Age: 49)

Directors
Roger Sharp
BA LLB
(Non-Executive Chairman, Member of Risk Committee)
Roger has more than 30 years' experience investing in, financing and running growth companies in global markets. He was formerly CEO of ABN AMRO Asia Pacific Securities and Global Head of Technology for ABN AMRO Bank. Previous ASX director roles included Chairman of travel.com.au Limited (ASX: TVL) and Chairman of Asia Pacific Digital Limited (ASX: DIG). He is founder of North Ridge Partners, a technology merchant bank and currently chairs GeoOp Limited (NZX: GEO). Appointed 1 January 2013.

John Guscic
BEc, Executive MBA
(Managing Director)
John was appointed Webjet’s Managing Director in February 2011 after serving on the Webjet board since 2006. Prior to Webjet, John was Chief Commercial Officer, GTA based in London (2007-2010) and Managing Director, Asia-Pacific based in Tokyo (2006-2007). Before that, John held various senior roles with the Travelport Business Group including Managing Director, Pacific region and Managing Director, Galileo South Pacific. Appointed 25 January 2006.

Don Clarke
LLB (Hons)
(Independent Non-Executive Director and Deputy Chairman, Chairman of Risk and Remuneration & Nomination Committees)
Don is a lawyer and company director. After 27 years as a corporate partner of the law firm, Minter Ellison, Don retired from full time legal practice on 30 June 2015 to pursue other interests. While he continues to be a consultant to Minter Ellison, his primary focus is now as a non-executive director of Webjet, two other ASX listed companies, Zoono Group Limited and Contango Income Generator Limited, and of other unlisted public and private companies. He has extensive commercial law and business experience from over 30 years advising ASX listed and private companies. Appointed 10 January 2008.

Brad Holman
BCom
(Lead Independent Non-Executive Director, Member of Audit and Remuneration & Nomination Committees)
Brad 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. Brad more recently was the President for International Markets for Blackbaud a NASDAQ listed software and services company specifically focused on serving the non-profit community. He was responsible for developing and leading the company’s international business strategy and new market entry. Brad left Blackbaud in November 2015 after serving five years in the role. Appointed 19 March 2014.

Shelley Roberts
B.Bus Sci, ACA, GAICD
(Independent Non-Executive Director, Member of Audit and Remuneration & Nomination Committees)
Shelley Roberts has extensive commercial and operational experience in the travel sector through prior management roles at Tiger Airways Australia, easyJet, Macquarie Airports, Sydney Airport and her present role as the Managing Director at Compass Group. Shelley's appointment as a Non-Executive Director has enhanced the diversity and finance, accounting and operational management experience of the Board. Appointed 30 April 2016.

Rajiv Ramanathan
MBA, MSc, BSc
(Independent Non-Executive Director, Member of Audit Committee)
Rajiv has 20 years of experience in industries spanning payments, enterprise software, and management consulting. Based in Singapore, Rajiv is Head of Products, Asia Pacific, with Visa Inc. Prior to Visa, he held roles at Ariba (an SAP company) and has also worked as a consultant at the Boston Consulting Group. Rajiv has worked extensively in markets across Asia, Africa, North and South America. Appointed 1 July 2017.

Toni Korsanos
BEc, CA
(Independent Non-Executive Director, Chair of Audit Committee and Member of Risk Committee)
Toni has over 20 years' experience in financial and general management. Most recently Toni was the Chief Financial Officer and Company Secretary of Aristocrat Leisure Limited. Toni brings to the Board extensive experience in technology, finance, strategy, mergers and acquisitions, risk management and financial and regulatory compliance. Toni is also a Member of Chief Executive Women and a Non-Executive Director of Crown Resorts Limited, Ardent Leisure Limited and Ardent Leisure Management Limited. Appointed 1 June 2018.

Principal activities

The principal activity of the Consolidated Entity is the online sale of travel products, including flights and hotel rooms. The Consolidated Entity's business consists of a B2C division and a B2B division (WebBeds).

B2C Travel (business to consumer operations)

The Company's B2C division operates two online travel businesses under the 'Webjet' and 'Online Republic' brands.

- **Webjet**: Established in 1998, Webjet is Australia and New Zealand's largest online travel agency (OTA). A leader in online travel tools and technology, Webjet enables customers to compare, combine and book domestic and international air travel, hotel accommodation, holiday packages, travel insurance and rental cars.
- **Online Republic** - Acquired in June 2016, Online Republic is a global e-commerce business, based in New Zealand which specialises in online bookings of rental cars, motorhomes and cruises. It also operates a digital marketing consultancy.

WebBeds (business to business operations)

The WebBeds B2B business provides online fulfilment of hotel room bookings for travel industry clients (primarily travel agents, OTAs, wholesalers and tour operators) via its online booking platforms. Headquartered in Dubai, the business offers a simplified B2B online solution that provides the broadest range of hotel rooms on sale to its clients worldwide. During the year, the Group acquired JacTravel, a market-leading European B2B travel business that carried on a similar business to WebBeds across all key markets in which WebBeds operated. The acquisition made WebBeds the #2 B2B supplier of hotel rooms globally (including within the important European market).

On 22 November 2017, we announced that from 1 January 2018 the WebBeds business would be reorganised and management aligned under three geographic regions - Europe, Asia Pacific and Americas and Middle East Africa (AMEA) - to help the business stay close to its partners and deliver the most appropriate product offers and solutions for their individual geographic needs. The existing product brands (Lots of Hotels, Sunhotels, FIT Ruums and JacTravel) continue to operate under the broader WebBeds umbrella across the regions, allowing us, where practicable, to leverage existing brand loyalty while improving efficiency.

Significant change in state of affairs

On 2 August 2017 Webjet announced the acquisition of JacTravel, a market-leading European B2B travel business with around $600 million (£400 million) in total transaction value (TTV).

Significant change in state of affairs (continued)

JacTravel was acquired for £200 million plus "normalised negative" working capital (AUD equivalent $336.7 million). The acquisition was funded by the proceeds of a $164 million accelerated non-renounceable entitlement offer involving the issue of 16.4 million new shares at $10.00 per share, plus $100 million in debt funding and $74 million from existing cash reserves. In addition, 2.6 million new Webjet shares were issued to the continuing JacTravel management shareholders and the private equity vendor of JacTravel at an issue price of $10.94 per share. This placement shares represented 7.7% of the purchase price and represented approximately 2% of Webjet's issued capital after the completion of the entitlement offer. Following completion of the placement, the number of shares on issue was 118.3 million.

Subsequent events

Following a review of the JacTravel contracts, effective from 1 July 2018, the JacTravel business operates on an agency basis for all its online travel booking services in line with the broader B2B group. Revenue will continue to be recognised at travel date.

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.

Review of operations

Financial Results

In the 12 month period to 30 June 2018, the Company's Continuing Operations delivered a significant uplift in all key financial metrics over the Prior Corresponding Period (PCP) with Total Transaction Value (TTV), Revenue, EBITDA and NPAT rising 54%, 54%, 71% and 30% respectively.

In the PCP the Company recorded a significant one-off gain from the sale of its Zuji business. This gain and other one-off items have been eliminated from the FY17 results under the 'Continuing Operations' heading below to provide a like-for-like comparison between financial periods (see footnote 1).

	Statutory Result				Continuing Operations (1)			
	FY18	FY17	Change		FY18	FY17	Change	
	$m	$m	$m	%	$m	$m	$m	%
TTV	3,012	2,043	969	47%	3,012	1,950	1,061	54%
Revenue	291.0	218.7	72.3	33%	291.0	188.8	102.2	54%
Revenue as Principal (2)	470.6	16.2	454.4	2814%	470.6	16.2	454.4	2814%
Total Revenue (3)	**761.6**	**234.9**	526.7	224%	**761.6**	**204.9**	556.7	272%
EBITDA	**86.3**	**69.9**	16.4	23%	**87.4**	**51.0**	36.4	71%
Depreciation	(3.1)	(1.7)	(1.4)	(83%)	(3.1)	(1.7)	(1.4)	(83%)
Amortisation	(6.4)	(5.5)	(0.9)	(17%)	(6.4)	(4.1)	(2.2)	(54%)
Acquisition Amortisation (AA) (4)	(12.5)	(1.1)	(11.5)	(1085%)	(12.5)	(1.1)	(11.5)	(1085%)
EBIT	**64.3**	**61.7**	2.6	4%	**65.4**	**44.1**	21.3	48%
Interest (Net)	(5.7)	(0.1)	(5.6)	(8475%)	(5.1)	(0.1)	(5.1)	(7642%)
PBT	**58.6**	**61.6**	(3.0)	(5%)	**60.3**	**44.0**	16.3	37%
Tax	(17.1)	(9.2)	(7.9)	(86%)	(17.1)	(10.9)	(6.2)	(57%)
NPAT (before AA)	**54.0**	**53.5**	0.5	1%	**55.7**	**34.2**	21.5	63%
NPAT	**41.5**	**52.4**	(10.9)	(21%)	**43.2**	**33.1**	10.1	30%
EPS (cents)								
- Basic (before AA)	46.9	54.9	(8.0)	(15%)	48.4	35.1	13.3	38%
- Basic	36.0	53.8	(17.8)	(33%)	37.5	34.0	3.5	10%
- Diluted	35.6	52.9	(17.3)	(33%)	37.1	33.4	3.7	11%
Margins								
Revenue Margin	9.7%	10.7%		-104bps	9.7%	9.7%		-2bps
EBITDA Margin	29.6%	32.0%		-231bps	30.0%	27.0%		+303bps
Effective Tax Rate (excl AA)	24.0%	14.6%		+940bps	23.5%	24.2%		-69bps
Effective Tax Rate	29.2%	14.9%		+1,429bps	28.4%	24.8%		+361bps

Notes:
(1) Continuing Operations is based on a like for like comparison. FY18 excludes $1.7 million expenses directly associated with the acquisition of JacTravel. FY17 excludes gain on sale of Zuji and one-off adjustments including change in accounting treatment for Webjet Exclusives acting as principal, termination of car hire contract and performance rights.
(2) Revenue as Principal - JacTravel acts as principal in its wholesale relationship between customers and suppliers. As a result, revenue is equal to TTV. During the current reporting period Webjet Exclusives acted as principal and agent. For clarity, revenue associated with both JacTravel and Exclusives acting as principal has been separated out. For consistency, Revenue as Principal is shown net of agent fees and has been removed from margin analysis. Exclusives reverted to reporting Revenue as Agent from 1 July 2017 and Jac Travel contracts have been aligned to WebBeds where Revenue is reported as Agent from 1 July 18.
(3) Total Revenue includes Other income, but excludes Interest income (reported on a net basis below).
(4) The table separately identifies the charge relating to the amortisation of intangible assets that have been acquired through acquisition. $137 million in acquisition of intangibles were identified in a Purchase Price Allocation (PPA) report obtained in connection with the JacTravel acquisition.
(5) EBITDA represents earnings before income tax expense, net finance costs, depreciation and amortisation. The Company believes presenting EBITDA and EBIT provides a better understanding of its financial performance by facilitating more representative comparison of financial performance between financial periods. EBITDA and EBIT are presented with reference to the ASIC Regulatory Guide 230.

TTV was $3,012 million, up 47% on PCP (for continuing operations TTV was up 54% on PCP). By business segment for the continuing operations, B2C TTV increased by $189 million and B2B TTV increased by $872 million, representing growth of 13% and 181% over PCP respectively.

Reported revenue was $761.6 million, an increase of 224% over PCP (for continuing operations, it was up 272%). Current period revenue includes $470.6 million where Webjet acts as a principal, a $454.4 million increase over the PCP. Where Webjet acts as principal, there is an offset increase in cost of sales, and therefore, for underlying comparison purposes, if this revenue is excluded, revenue increased 33% to $291 million (for continuing operations increased 54%). B2C revenue increased 17% to $177.1 million and B2B revenue grew by 203% to $114 million. The revenue margin (as a percentage of TTV) for continuing operations was 9.7% which is in line with FY17. The B2C revenue margin was 10.7% (FY17: 10.3%) and B2B 8.4% (FY17: 7.8%).

Reported operating costs were $204.8 million, a 38% increase over PCP. Operating costs for B2C were 13% higher than PCP (but below revenue growth of 17%). For the B2B business, operating costs were 133% higher than PCP (but below revenue growth of 203%). The step increase in costs was driven largely by the acquisition of JacTravel in August 2017. Corporate costs for continuing operations were $11.7 million for the period, up 56% over the prior comparative period.

EBITDA was $86.3 million, an increase of 23% over PCP, which included a one-off gain of $28.0 million from the sale of Zuji (for continuing operations, EBITDA was up 71% over PCP). B2C EBITDA was up 24% over PCP and B2B was up 7649% over PCP.

Reported depreciation and amortisation (D&A) increased by $13.8 million to $22 million (FY17: $8.2 million). This included an $12.5 million charge associated with the amortisation of intangible assets acquired through acquisition.

Excluding establishment fees for the $100 million loan used to finance the acquisition of JacTravel, financing costs were $6.7 million (FY17 $3.4 million). These costs for the 12 months ended 30 June 2018 included 10-months interest on the JacTravel loan funding.

PBT from continuing operations before acquisition amortisation was $72.8 million, an increase of $27.7 million over PCP.

Reported tax expense for the period was $17.1 million, $7.9 million higher than PCP. The tax expense as a percentage of PBT increased from 14.9% to 29.2%. This was primarily due to the increase in non-deductible amortisation of acquisition related charges and one off non-deductible JacTravel acquisition & financing costs.

Reported net profit after tax (NPAT) was $41.5 million (FY17: $52.4 million), for continuing operations, NPAT was $43.2m (FY17: $33.1 million).

Working capital and cash

Trade and other receivables increased by $143.6 million to $261 million, and trade and other payables increased by $266.1 million to $450.7 million. The material increase results primarily from the acquisition of JacTravel, growth across the enterprise and the implementation of a new financial reporting software in B2B contributing to delays in payments. Cash and cash equivalents increased $12.6 million to $190.8 million (FY17: $178.1 million). Adjusting for movements in Client Funds (FY18: $25.9 million; FY17: $21.2 million) and adding back tax and interest, the business generated $137.1 million from its operating activities (FY17: $46.8 million).

Cash conversion measured by operating cash flow (adjusted cash from operating activities before interest and tax) divided by EBITDA was 159% (FY17: 92%). Due to the implementation of a new ERP platform in one of the B2B businesses has resulted in supplier payments being delayed. As a result, cash balance as at 30 June 2018 was significantly higher than planned.

During the reporting period external borrowings increased by $73.2 million to $122.7 million. Based on continuing EBITDA, current gearing is 1.4 times.

Earnings and dividends

Reported earnings per share was 36.0 cents (FY17: 53.8 cents). Earnings per share generated from the continuing operations increased by 10% to 37.5 cents (FY17: 34 cents).

An interim dividend for the year ended 30 June 2018 of $0.08 per share fully franked totaling $9.5 million was paid on 18 April 2018, an increase of $2.2 million compared to the PCP. A final fully franked dividend of $0.12 per share (a 20% increase on FY17's final dividend of $0.10) totaling $14.2 million has been declared by the Directors for payment on 11 October 2018. The total $0.20 per share dividend totaling $23.7 million represents a $4.6 million increase (24%) over the PCP.

Final dividend for the prior year 30 June 2017 of $0.10 per fully paid share was paid on 13 October 2017 amounting to $11.8 million.

Non-IFRS information

Reconciliation of Revenue - Table A

	30 June 2018 $'000	30 June 2017 $'000
Reconciliation of Continuing Operations to Statutory Revenue		
Continuing operations - revenue & other income	**291,040**	188,796
Revenue & other income from subsidiaries disposed of during FY17	**-**	7,396
Gain on sale of Zuji	**-**	28,039
Exclusives change in revenue recognition	**-**	(5,504)
Statutory revenue & other income	**291,040**	218,727

As required by Regulatory Guide 230, the following tables below present reconciliations of non-IFRS information in relation to the Continuing Operations as reported in the Review of Operations section of the Directors' Report.

Reconciliation of EBITDA - Table B

	30 June 2018 $'000	30 June 2017 $'000
Reconciliation of Continuing Operations to Statutory Result		
Continuing EBITDA	**87,404**	50,974
Gain on disposal of subsidiary	**-**	28,039
Exclusives change in revenue recognition	**-**	(5,504)
Early termination of supplier agreement	**-**	(1,400)
Non-recurring incentives	**-**	(944)
Non-recurring performance rights to KMP	**-**	(863)
Sundry items	**-**	(400)
Trading result from disposed subsidiaries in FY17	**-**	(26)
Acquisition costs	**(1,139)**	-
Statutory EBITDA	**86,265**	69,876

Reconciliation of EBIT - Table C

	30 June 2018 $'000	30 June 2017 $'000
Reconciliation of Continuing EBIT to Statutory Result		
Continuing EBIT	**65,390**	44,076
EBIT items as per Table B above	**(1,139)**	18,902
Impairment of US operations	**-**	(1,325)
Statutory EBIT	**64,251**	61,653

Non-IFRS information (continued)

Reconciliation of EBIT - Table D

	30 June 2018 $'000	30 June 2017 $'000
Reconciliation of Continuing NPAT to Statutory Result		
Continuing operations - profit after tax	**43,165**	33,124
Tax benefit / (expense) on non-recurring items	**-**	1,721
EBITDA items as per Table B above	**(1,139)**	18,902
Impairment items as per Table C above	**-**	(1,325)
Acquisition finance costs	**(552)**	-
Statutory Profit After Tax	**41,474**	52,422

Likely developments and expected results of operations

The Consolidated Entity will continue to focus on organically growing the B2C business whilst the B2B business strategy will be a combination of organic and inorganic growth.

Environmental regulation

The Consolidated Entity is not affected by any significant environmental regulation in respect of its operations.

Company secretary

For the financial year ended 30 June 2018, the Company Secretary was Michael Sheehy. He was replaced in that role on 31 July 2018 by Tony Ristevski BComm (Hons), ACA.

Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each Director were:

	Directors' meetings		**Meetings of committees**					
			Audit		**Remuneration & Nomination**		**Risk management**	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Roger Sharp	11	11					3	3
John Guscic	11	11						
Don Clarke	11	11			5	5	3	3
Brad Holman	11	11	4	4	5	5		
Shelley Roberts	11	11	4	4	5	5	1	1
Rajiv Ramanathan	11	11	4	4				
Toni Korsanos	2	2						

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year

Shares, options and performance rights

(a) Ordinary shares

The number of ordinary shares held by the Directors at the date of this report has not changed from 30 June 2018.

Shares, options and performance rights (continued)

(b) Shares issued on the exercise of options

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

Options series	Number	Grant date	Expiry date	Exercise price ^ $	Fair value at grant date $	Vesting date	Vesting condition	Status at 30 June 2018
John Guscic – Tranche 1(c)	500,000	13/11/2013	30/06/2018	$4.64	$0.14	30/06/2015	Progressive - remain in employment	Exercised
John Guscic – Tranche 2(c)	750,000 250,000	13/11/2013	30/06/2019	$5.14	$0.16	30/06/2016	Progressive - remain in employment	Exercised Vested
John Guscic – Tranche 3(c)	1,000,000	13/11/2013	30/06/2020	$5.64	$0.21	30/06/2017	Progressive - remain in employment	Vested
John Guscic – Tranche 1(d)	1,000,000	22/11/2017	30/06/2021	$12.50	$0.78	30/09/2018	Tenure and Performance Hurdles (EBITDA & TSR)	Unvested
John Guscic – Tranche 2(d)	1,000,000	22/11/2017	30/06/2022	$14.00	$0.75	30/09/2019	Tenure and Performance Hurdles (EBITDA & TSR)	Unvested
John Guscic – Tranche 3(d)	1,000,000	22/11/2017	30/06/2023	$16.00	$0.66	30/09/2020	Tenure and Performance Hurdles (EBITDA & TSR)	Unvested

^ The exercise price for Tranches 1-3(c) reflect the adjusted exercise price at the date of this report as a result of previous rights issues.

500,000 options under Tranche (1c) were exercised on the 7 August 2017 at an exercise price of $4.64. The share price at the date of exercise was $11.91. The value of options exercised by Mr. Guscic was $2,320,000.

250,000 options under Tranche 2(c) were exercised on 11 August 2017 at an exercise price of $5.14. The share price at the date of exercise was $11.31. The value of the options exercised by Mr. Guscic was $1,285,000.

500,000 options under Tranche 2(c) were exercised on 29 November 2017 at an exercise price of $5.14. The share price at the date of exercise was $9.60. The value of the options exercised by Mr. Guscic was $2,570,000.

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.

(c) Performance rights

During the current period, 6,245 performance rights had vested for the KMP group with 53,507 yet to vest.

Performance rights of KMP for 30 June 2018

Executive KMP	Number Granted	Vested during the period	Forfeited during the period	Unvested at 30 June 2018
Shelley Beasley	33,033	3,351	-	29,682
Graham Anderson	26,719	2,894	-	23,825
Tony Ristveski	-	-	-	-
Total	59,752	6,245	-	53,507

Insurance of officers and indemnities

During the financial year, Webjet Limited paid a premium to insure the Directors and secretaries of the Company and its controlled entities. The contract of insurance prohibits disclosure of the insured sum and the amount of premium.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Consolidated Entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

Insurance of officers and indemnities (continued)

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any of its controlled entities against a liability incurred as such an officer or auditor.

Non-audit services

Non-audit services that were provided during the current or prior year by the auditor are set out in Note 33 of the financial report.

The Directors have considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 33 of the financial report, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

Rounding of amounts

The Company is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding' of amounts in the Directors' report. Amounts in the Directors' report have been rounded in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

Melbourne
23 August 2018

Deloitte Touche Tohmatsu
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The Board of Directors
Webjet Limited
Level 2
509 St Kilda Road
Melbourne VIC 3004

23 August 2018

Dear Board Members

Webjet Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Webjet Limited.

As lead audit partner for the audit of the financial statements of Webjet Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants

Section 1 - Overview

1.1 Introduction

We are pleased to present the Remuneration Report for FY 2018, in which this year has witnessed solid growth in Webjet's operating and financial performance and further product and geographic expansion of its B2B business.

This Remuneration Report has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (Act) and the applicable Corporations Regulations. The Report outlines the Company's overall remuneration strategy for the year ended 30 June 2018 and provides detailed information on the remuneration arrangements for Key Management Personnel ("KMP"). KMP are those people who have the authority and responsibility for planning, directing and controlling the company's activities, either directly or indirectly, including any Director.

For the purposes of this Remuneration Report, the terms "Company" and "Webjet" refer to Webjet Limited and "Group" refers to Webjet Limited and its controlled entities.

The KMP for Webjet during FY 2018 are:

Non-Executive Directors

(i) Roger Sharp BA LLB - Non-Executive Director - Chairman from 21 June 2017

(ii) Don Clarke LLB (Hons) - Non-Executive Director, Deputy Chairman

(iii) Brad Holman BCom – Lead Independent Non-Executive Director

(iv) Shelley Roberts BBusSci (Fin), ACA, GAICD - Non-Executive Director

(v) Rajiv Ramanathan MBA, MSc, BSc – Non-Executive Director – appointed 1 July 2017

(vi) Toni Korsanos BEc ACA – Non-Executive Director - appointed 1 June 2018

Executive KMP

(i) John Guscic BEc, MBA - Managing Director

(ii) Shelley Beasley BA (Comm), Grad Dip Bus Int Str Lship - Group Chief Commercial Officer

(iii) Michael Sheehy BEc ACA GAICD - Chief Financial Officer and Company Secretary [1]

(iv) Graham Anderson BA (Hon), MBCS CITP - Chief Information Officer

(v) Tony Ristevski BComm(Hon), ACA, MBA – Chief Financial Officer [1]

(1) Michael Sheehy was Chief Financial Officer and Company Secretary of the Company from 1 July 2017 to 21 May 2018. On 21 May 2018, Tony Ristevski joined the Group and assumed the role of Chief Financial Officer. Michael Sheehy continued as Company Secretary until 31 July 2018.

Except as noted, each of the named persons held their current position for the whole of the financial year and has continued to hold such position since the end of the financial year.

1.2 Role of Remuneration and Nomination Committee

The Remuneration and Nomination Committee (Committee) assists in ensuring that remuneration arrangements within the Group are appropriate, mirror the Group's risk framework and in the long-term interests of shareholders. The Committee acts independently of management in making decisions affecting and/or exercising oversight of the remuneration of the Managing Director, the other Executive KMP and employees generally.

To safeguard the independence of remuneration-setting procedures, the Committee is comprised solely of Non-Executive Directors, all of whom are, in the Board's opinion, independent. While other Directors and/or members of the senior management team may attend meetings of the Committee (providing that person's remuneration is not being considered) to provide information, reports and updates to the Committee (to ensure that it is fully informed), no such persons attended meetings of the Committee during the year.

To ensure the Committee is appropriately informed, it does seek advice and information from professional advisers, as required, to supplement its own information and insights to finalise its remuneration recommendations. Advice was sought during the year from an external professional adviser in relation to the fee increase for the non-executive Directors applicable from 1 July 2018.

Further details regarding the membership and meetings of the Committee are provided in the Directors' Report section of this Annual Report.

The remainder of this report is structured as follows:

Section 2: Remuneration policy and structure for Executive KMP

Section 3: Remuneration outcomes for Executive KMP for FY2018

Section 4: Executive KMP service contracts

Section 5: Remuneration policy and payments to Non-Executive Directors

Section 6: Additional Statutory Disclosures

Section 2 - Remuneration policy and structure for Executive KMP

2.1 Overarching remuneration objectives and principles

Remuneration has an important role to play in driving the culture within Webjet and in supporting the implementation and achievement of Webjet's strategy for the growth of its business. While the remuneration arrangements for the Executive KMP need to be sufficiently attractive to motivate and retain the best people to lead Webjet, they also need to promote the desired cultures and business ethics, as well as aligning the activities of management with the interests of Webjet's shareholders.

Webjet's remuneration arrangements are designed to encourage its Executive KMP to take a long-term approach to decision making. It is the Committee's belief that a focus on longer-term business growth and success is more likely to create value for shareholders than the promotion and reward of short-term results.

The following summarises the key principles which underpin the structure and quantum of Executive KMP remuneration arrangements across the Group. The Executive KMP remuneration arrangements must:

(i) support the execution of the Group's business strategy;

(ii) align with a risk framework that is appropriate for the Group;

(iii) drive the desired cultures and business ethics within the Group;

(iv) be internationally competitive (i.e. remuneration must be sufficient to attract, motivate and retain Webjet's team of highly skilled executives who are willing to work globally);

(v) reward members of the Executive KMP team by reference to their unique skills and industry experience;

(vi) include appropriate performance conditions, comprising financial and non-financial measures, for all 'at risk' incentive payments;

(vii) align executive remuneration as closely as possible with the delivery of shareholder value, including by linking a significant component of the 'at risk' remuneration to the creation of shareholder value through out-performance;

(viii) be equitable, having regard to shareholder expectations and the need to facilitate the deployment of people across the Group;

(ix) limit termination benefits / severance payments to pre-established contractual arrangements (which do not commit Webjet to making unjustified payments); and

(x) be consistent with existing contractual obligations of the Group.

2.2 Current structure of Executive KMP Remuneration

Within the framework of the above principles, the following table summarises the current remuneration structure (as it applied in FY 2018). Similar arrangements are likely to apply in the current financial year. As is evident from the table, it comprises an appropriate balance of fixed and 'at-risk' remuneration, with the 'at risk' components designed to align the interests of the Executive KMP team with the creation of value for shareholders. For both the short and long term 'at risk' components of remuneration, payment is subject in each case to the achievement of pre-determined performance hurdles.

<table>
<tr><th>Remuneration component and link to strategy</th><th>Operation and performance framework</th></tr>
<tr><td>Base salary (Fixed Annual Remuneration or FAR)

A competitive base salary is paid to attract and retain high-quality and experienced Executive KMP and to provide appropriate remuneration for the persons employed in these key roles within the Group.</td><td>▪ Base salary is broadly aligned with:
o the salaries for comparable roles in both Australian and global companies of similar global complexity, size, reach and industry; and
o each Executive KMP's responsibilities, location, skills, performance, qualifications and experience.
▪ Ordinarily, base salaries are reviewed annually (with effect from 1 July of each year).
▪ Reviews are informed, but not led, by benchmarking to comparable roles (as above), changes in responsibility and general economic conditions. Substantial weight is also given to the general base salary increase for employees.
▪ Base salaries are fixed annually and are not subject to separate performance conditions.
▪ Subject to exceptions as required to deal with anomalies, FAR was frozen for three years from 1 July 2016. As such, subject to following exception, base salaries will not be increased prior to 1 July 2019.
▪ The Group has substantially increased in size, complexity and geographic diversity since 1 July 2016. To the extent that certain members of the Executive KMP team change roles, take on added responsibilities and/or expanded roles, the Company reserves the right to adjust the FAR for those members of the Executive KMP team, especially where it is necessary to ensure the Group retains its high performing talent.</td></tr>
<tr><td>Benefits

Superannuation and other benefits to attract and retain high-quality and experienced Executive KMP team members need to be commensurate with the Company's competitors.</td><td>▪ Superannuation is provided as required by law.
▪ Benefits in the form of mobile telephones, car parking and other IT / communication equipment to facilitate performance of duties are provided.
▪ All other benefits provided to or agreed to be paid to members of the Executive KMP are accounted for within the framework of their agreed FAR payment, with the cost of the benefit (inclusive of any applicable FBT or other tax liability of the Company) being deducted from the relevant Executive KMP team member's FAR.</td></tr>
<tr><td>STI

The purpose of STI is to focus the efforts of the Executive KMP on those performance measures and outcomes that are priorities for the Group and which deliver performance at or above stretch performance objectives in the relevant financial year.

The performance measures will primarily be performance against the budgeted EBITDA as it links directly to the creation of shareholder value and the long-term success of the Group.

For details of the quantum of the STI payable to each Executive KMP for FY2018, and the split between the financial (EBITDA)</td><td>▪ The STI for each Executive KMP team member will ordinarily be an agreed percentage (between 15% and 45%) of that Executive KMP team member's FAR.
▪ The current principal performance measure for all Executive KMP is EBITDA. The EBITDA target for each Executive KMP is derived from the annual budget as approved by the Board for the relevant financial year (adjusted for acquisitions and divestments during the course of the year). The aim is to set an appropriate annual performance target consistent with the Company's overall business and strategic plans.
▪ In addition, a portion of the Managing Director's STI is subject to achievement of a TSR benchmark. For the Executive KMP (other than the Managing Director), other non-financial management measures relevant to the Executive's area of accountability / responsibility are agreed at the commencement of each financial year between the Executive KMP and the Managing Director.
▪ While the Committee has direct input into the STI benchmarks for the Managing Director, it has indirect input only, in the form of setting broad parameters for specific application by the Managing Director, to the performance measures and their relative weightings for the Executive KMP. It will always be the case that specific financial measures constitute over 50% weighting for the STI benchmarks of Executive KMPs.</td></tr>
</table>

<table>
<tr><td>and non-financial performance hurdles, refer to section 3.1, Table 3 and 4 and the Explanatory Notes following those Tables.</td><td>The nature of the financial and individual measures for the Managing Director will be disclosed at or around the beginning of each performance period.
For reasons of commercial sensitivity, while Webjet will provide a narrative description of financial performance benchmarks, the actual targets for each financial measure will not be disclosed to the market in advance.
Assessment of performance
At financial year end, each Executive KMP's achievement against each measure is assessed by the Managing Director (in conjunction with the Committee and the Board), and an STI award is determined. If performance is below the threshold level for any measure, no STI will be provided in respect of that portion of the STI opportunity. There is no ability to defer assessment to a later time frame.</td></tr>
<tr><td></td><td>Delivery of award
The value of any STI award is provided in cash (with a clawback provision, where applicable, if it later becomes evident that a full year target has not been met or other specific circumstances which trigger the clawback provisions occur).
The Committee has no discretion to allow vesting of cash STI awards if the performance conditions have not been satisfied (other than where an extraordinary event occurs – for example, death, serious injury, disability or illness that prohibits continued employment or a decision by the Board which prevents the Executive KMP from achieving an award that would otherwise, in all probability, have been achieved).</td></tr>
<tr><td>LTI (applicable to the Executive KMP other than the Managing Director)

The purpose of the LTI is to focus the efforts of the Executive KMP on the achievement of sustainable long-term value creation for the Group and the shareholders.
The provision of the LTI in the form of equity (via performance rights) also aligns the interests of the Executive KMP and shareholders.

For details of the quantum of the LTI for each Executive KMP refer to Table 7 and the Explanatory Notes following that Table.</td><td>Benchmark Hurdles
For the LTI, the Committee elected to set TSR and EBITDA Growth target benchmarks as, in its view, there is an alignment between those measures and the creation of shareholder value and, secondly, both are transparent and capable of being measured.
Vesting of the performance rights for the TSR and EBITDA Growth conditions will be assessed against the following benchmark hurdles:
For the performance rights allocated to the EBITDA Growth Condition – the benchmark hurdle is the greater of growth of 4% and 120% of the average EBITDA growth rates of the comparator group across the 3-year vesting period; and
For the performance rights allocated to the TSR Growth Condition – the benchmark hurdle is 120% of the average TSR growth rates of the comparator group across the 3-year vesting period; and
The respective average EBITDA and TSR Growth rates will be determined by calculating the EBITDA and TSR growth rates for the designated peer group (refer below) of each of FY18, FY19 and FY20, aggregating the three annual results and then dividing the aggregate number by three.
For each of FY18, FY19 and FY20, the peer group of companies will compromise the ASX200 companies (ranked by market capitalisation), excluding resource companies, banks and listed property trusts. The actual companies forming the peer group will be determined as at 1 July of each year during the 3-year performance period, with an average EBITDA and TSR growth rate calculated for each year by reference to the actual performance of those companies in that year.
Level of performance required for vesting
If the company's EBITDA or TSR Growth rate (as the case maybe) over the 3 year performance period is less than 90% of the applicable benchmark hurdle – no performance rights attributable to the relevant performance condition will vest;</td></tr>
</table>

	▪ If the company's EBITDA or TSR Growth rate (as the case maybe) over the 3 year performance period is greater than 90% but less than 150% of the applicable benchmark hurdle – the performance rights attributable to the relevant performance condition will vest on a sliding scale from a minimum of 33.3% (for the TSR condition) / 40% (for the EBITDA condition) to a maximum of 99.99% of the performance rights; and ▪ If the company's EBITDA or TSR Growth rate (as the case maybe) over the 3 year performance period equals or exceeds 150% of the applicable benchmark hurdle – all performance rights attributable to the relevant performance condition will vest ▪ In determining the Company's actual EBITDA Growth across the performance period, the Company reserves the right to adjust the outcome where appropriate for acquisitions and/or disposals or other events/circumstances which may unreasonably skew the outcome or may result in a flawed comparison. ▪ If the Company's actual EBITDA or TSR Growth is negative for the 3-year performance period, all of the Performance Rights allocated to the relevant performance condition will lapse ▪ To ensure that the performance conditions continue to support operational excellence, risk management and the execution of the Group's strategy, the Committee retains discretion to add further performance measures to supplement the existing relative TSR performance condition. Delivery of award. ▪ Performance Rights are provided under an Employee Share Plan approved by the Board. The award of deferred equity comprises rights to receive ordinary Webjet shares in the future if the performance and service conditions are met. The Committee has a discretion to settle performance rights in cash. ▪ Performance Rights are subject to clawback provisions in certain circumstances. If in the opinion of the Board, vesting has occurred as a result of fraud, dishonesty, gross misconduct or manifest error, the Board may require the Executive KMP team member to forfeit (or account to the company) for any benefit received as a consequence, directly or indirectly, of that fraud, dishonesty, gross misconduct or manifest error. Similarly, if an Executive KMP team member acts in a manner which may adversely impact the standing or reputation of Webjet or his/her employment with the Webjet Group, ceases to be employed as a result of either a breach of his/her employment agreement or the occurrence of any act which would entitle the Webjet Group to terminate that employment with immediate effect, all Performance rights (or shares resulting from the conversation of Performance Rights) then held by the Executive KMP team member will lapse and/or be forfeited immediately. ▪ The Board has discretion to determine that any unvested Performance Rights will vest upon the occurrence of certain events, such as in the event of a takeover offer, scheme of arrangement or other control transaction that results in a change of control of Webjet.
LTI (applicable to the Managing Director)	No performance rights have been granted to the Managing Director under the Employee Share Plan. His LTI is in the form of the options granted to him in 2013 and 2017. Each of these option issues was approved by shareholders at the annual general meeting of the Company in those years. Options were chosen as the means of providing the Managing Director's LTI as they provided appropriate leverage and, because the exercise price in all cases was at a significant premium to the then Webjet share price, the Managing Director only derived benefit in circumstances where the shareholders similarly benefitted from the share price uplift. Full details of these options are set out in section 6.1 of this Report.

The Committee is satisfied that the remuneration arrangements which applied in FY 2018:

(i) linked remuneration to the Webjet Group's focus on sustained performance;

(ii) required outperformance before Executive KMP would be materially rewarded under the longer term incentive arrangements;

(iii) reflected Webjet's risk framework and focus on long-term value creation;

(iv) reinforced the desired cultures and behaviours of Executive KMPs; and

(v) provided a transparent mechanism for rewarding members of the Executive KMP team.

The Committee does frequently review the Company's remuneration practices and policies. The Committee is open to opportunities to improve the effectiveness of the remuneration structure and, in particular, to ensure there is a continuing alignment between the interests of shareholders and management.

2.4 Relationship between remuneration and company performance

The Company is conscious of the need to link remuneration to performance. The Committee is confident this is the case and is readily demonstrable by reference to the following table which provides detail of important performance metrics, including TTV (which drives revenue), EBITDA performance (which captures operational earnings), asset growth and TSR (which reflects how shareholders have fared) over the previous 5 financial years. These metrics (particularly EBITDA performance and relative TSR performance) are also directly linked to the incentive components of KMP remuneration.

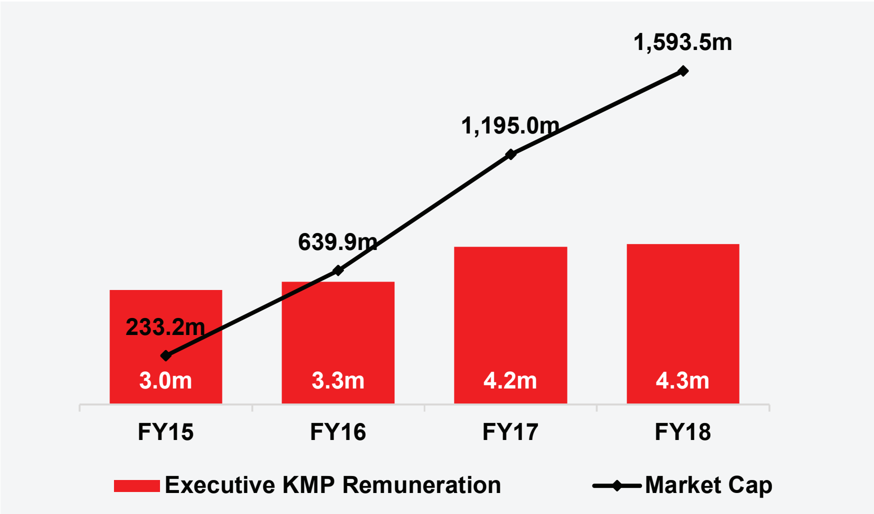
In addition, over that same 5 year period, the global complexity, size and reach of the Company's business and operations has significantly increased, with consequentially greater demands on the Executive KMP team (at all levels of the business).

Table 1: Company Performance FY 2014 - FY 2018

	Growth 2017 to 2018	Five year Growth	FY ended 30 June 2018	FY ended 30 June 2017	FY ended 30 June 2016	FY ended 30 June 2015	FY ended 30 June 2014
Financial Metrics ($'M)							
Total Transaction Value	47%	202%	3,012	2,043	1,630	1,266	997
EBITDA	23%	271%	86.3	69.9	36.6	31.5	23.3
NPAT	-21%	117%	41.5	52.4	21.3	17.5	19.1
Assets	120%	739%	1,084	493	386	203	129
Market capitalisation	33%	754%	1,593	1,195	640	233	187
Share Price*							
At beginning of year			12.18	6.99	2.90	2.35	4.32
At end of year			13.45	12.18	6.99	2.90	2.35
Dividend per Share (cents)							
Interim			8.00	7.50	6.50	7.25	6.25
Final			12.00	10.00	7.25	7.25	7.25
TSR (%) *	12%		12%	77%	148%	28%	-43%
Directors Remuneration	1%	10%	0.57	0.56	0.53	0.53	0.51
Executive KMP Remuneration	2%	157%	4.26	4.19	3.25	3.04	1.66

The following table highlights the comparison between total KMP remuneration and shareholder value created over a similar period.

Table 2: Aggregate KMP Remuneration compared to Market Capitalisation FY2015 – FY2018



Section 3 - Remuneration outcomes for Executive KMP for FY2018

3.1 Executive KMP

Table 3 sets out the specific remuneration outcomes for the Executive KMP (including the Managing Director) for the financial year ended 30 June 2018 (FY2018). The remuneration outcomes reflect the structure outlined in section 2 of the Report. Detailed explanatory notes (including on the incentive components of the Executive KMP remuneration) are set out below the table.

The table has been prepared in accordance with relevant accounting standards. Where applicable, remuneration for Executive KMP has been pro-rated for the period they served as a member of the KMP.

Table 3 - KMP remuneration – FY 2018

	Salary & fees	Non-monetary	Bonus		Post - employment benefits	Share-based payments (options & rights)	Total
			Financial KPI	Non-Financial KPI			
2018	$	$	$	$	$	$	$
Executive officers							
John Guscic	850,000	75,812	415,126	100,000	-	785,789	2,226,727
Shelley Beasley	495,298	36,243	139,456	25,508	14,859	49,267	760,631
Michael Sheehy [1]	393,393	34,080	114,371	20,920	25,000	9,355	597,119
Graham Anderson	381,248	32,617	111,051	20,312	37,085	39,565	621,880
Tony Ristevski [2]	47,646	4,250	-	-	-	-	51,896
	2,167,586	**183,002**	**780,005**	**166,740**	**76,944**	**883,976**	**4,258,253**

[1] Ceased to be a KMP from 21 May 2018

[2] Commenced 21 May 2018 as KMP

	Salary & fees	Non-monetary	Bonus		Post - employment benefits	Share-based payments (options & rights)	Total
			Financial KPI	Non-Financial KPI			
2017	$	$	$	$	$	$	$
Executive officers							
John Guscic	815,000	69,235	593,300	100,000	35,000	58,179	1,670,715
Shelley Beasley	450,271	34,309	160,004	23,189	13,508	24,444	705,725
Michael Sheehy	352,994	30,982	132,734	19,237	31,742	20,050	587,738
Graham Anderson	365,715	32,618	119,835	19,973	43,963	21,108	603,211
Vaughan Magnussun	452,419	34,801	74,629	18,097	16,355	23,817	620,116
	2,436,399	**201,944**	**1,080,502**	**180,495**	**140,567**	**147,598**	**4,187,505**

Explanatory Notes:

The above table for FY 2018 is to be read in conjunction with the following explanatory notes.

- **Components of Executive KMP remuneration**

The table below sets out the structure of Executive Remuneration in FY 2018, including details of the FAR and the percentage of FAR able to be earned by each Executive KMP (subject to the achievement of the applicable performance and other vesting conditions) under their respective STI and LTI arrangements. For the STI, the table also shows the allocation of that incentive to the financial and non-financial components. The payments made to each member of the Executive KMP (as set out in Table 3) are based on the structure below.

Table 4 - Remuneration Structure FY2018

Executive Incentive Plans	Short-term Incentive FAR $	Financial % FAR	Non-Financial % FAR	Long term Incentive % FAR
Managing Director				
John Guscic	850,000	35% to 70%	12%	Share Options Performance Rights
Functional Executives				
Shelley Beasley	510,157	15% to 45%	5%	20% to 55%
Graham Anderson	406,248	15% to 45%	5%	20% to 55%
Michael Sheehy	418,393	15% to 45%	5%	20% to 55%
Tony Ristveski	47,646			

[1]Michael Sheehy ceased to be a KMP on 21 May 2018. On the same date Tony Ristevski joined Webjet Limited as Chief Financial Officer (and, therefore, became a member of the Executive KMP). Tony Ristevski will participate in the STI and LTI plans from 1 July 2018.

- **FAR**

  - The FAR paid to the Managing Director in FY2018 has not changed from FY 2017. It is subject to a 3 year freeze from 1 July 2016.
  - Other than the Managing Director, subject to exceptions as required to deal with anomalies, the FAR of the Executive KMP was frozen for three years from 1 July 2016. Exceptions will primarily be made where such are demanded by reason of the increased responsibilities of an Executive KMP because of the enlarged scale and complexity of the Company's business and/or where additional payments may need to be made to retain key employees.

- **STI**

  - Payment of the STI in FY 2018 was based on the financial performance of the Webjet Group measured against budgeted EBITDA. The minimum financial STI (15% or 35% of FAR) was triggered by the Webjet Group achieving at least 95% of its EBITDA target. To achieve the maximum incentive (45% or 70% of FAR), actual EBITDA must exceed 130% of the target for the Managing Director and the other functional Executive KMP. The Managing Director's target is based on the Webjet Group performance where EBITDA over performance represents a significantly higher hurdle than EBITDA over performance in any individual business unit. Table 5 sets out the STI targets for FY 2018.
  - For FY 2018, the Group EBITDA target was $79.2 million.

Table 5 - STI targets for FY 2018

Performance (% of EBITDA Target)	Managing Director	Performance (% of EBITDA Target)	Executive KMP (except [1] Managing Director)
<95%	Nil	<95%	Nil
95%	35% of FAR	95%	15% of FAR
96% to 130%	35% plus 1% of FAR for each 1% increase in EBITDA target	96% to 100%	15% plus 1.00% for each 1% increase in EBITDA target
130%	70% of FAR	100%	20% of FAR
>130%	Cap of 70% of FAR applies	>100%	20% plus 0.83% for each 1% increase in EBITDA target (capped at 45% of FAR)

[1]The Committee is currently reviewing the STI targets for the Executive KMP for FY2019 to take account of the substantial increase in the Company's EBITDA over recent years.

- For the Managing Director, Table 6 below provides additional detail in respect of the calculation of his STI payments in FY 2018 (and a comparison of that benefit to the STI benefit paid to him in FY 2017).

Table 6 - Managing Director's STI by component

	FY2018 (000's)	FY2017 (000's)
Reported EBITDA	86,265	69,885
Budget EBITDA	79,200	53,900
Over Achievement	7,065	15,985
% Over Achievement	8.92%	29.66%
Fixed Remuneration (FAR)	850,000	850,000
STI Entitlement		
EBITDA Over Achievement	49% of FAR	69.8% of FAR
STI – based on financial (EBITDA) target	415,126	595,300
STI – based on Non-financial KPIs	100,000	100,000
Total STI	515,126	695,300

- For the Managing Director, the Non-Financial STI was a maximum of $100,000. Payment was subject to the TSR for the Webjet Group for FY 2018 exceeding the median TSR of all entities over the prior 24 month period (excluding resource companies and listed property trusts) comprising the S&P / ASX 200 Index. This component of the STI was paid quarterly. While final achievement of this TSR benchmark will not be formally assessed until the end of August 2018, the Company fully expects the benchmark will have been achieved and the Managing Director entitled to payment of this component of his STI. If, however, for any reason that is not the case, all payments are subject to a clawback if, on a full year basis, the TSR benchmark is not achieved. All other STI payments to Executive KMP are paid annually.

- For the Executive KMP other than the Managing Director, the Non-Financial STI benchmarks related to the achievement of business metrics directly relevant to their respective business units. While the KPIs are unique to each Executive KMP, and do vary year on year, particular areas, like customer service, cost management, product and IT innovation and delivery, quality outcomes feature in the metrics underpinning the choice of KPIs.

- **LTI – Managing Director**

- The Managing Director, as approved by shareholders at the Annual General Meeting held on 22 November 2017, was issued 3,000,000 options. The options were part of the employment arrangement agreed with the Managing Director at the time of the 3 year extension to the Managing Director's employment contract in September 2017. These options, together with the options previously approved in 2013, constitute the long term incentive component of Mr Guscic's remuneration as Managing Director and are an important part of ensuring the continuity of Webjet's current leadership.

  Full details of the options currently held by the Managing Director are set out in section 6.1 of this Report. The number included in Table 3 for 'Share based payments – Options & rights' made to the Managing Director in FY 2018 reflects the accounting expense of $785,789 for the options awarded in FY 2018.

- **LTI – Executive KMP (other than the Managing Director)**

The LTI for the Executive KMP (other than the Managing Director) comprises two components. One component relates to the LTI scheme as it existed in FY 2017 (and Webjet shares that will likely vest under that scheme in relation to FY 2018).

The second component relates to performance rights (entitling the Executive KMP holding such rights) to be issued Webjet shares (for nil consideration). The benefits to which the Executive KMP are entitled under both LTI schemes, subject to the achievement of the applicable vesting (performance) conditions and continued employment are detailed below.

LTI – Pre FY 2018

- Under the LTI arrangements which applied for FY 2017, the Executive KMP participants received Webjet shares of a value equal to 15% of their FAR which shares, subject to a TSR condition (refer below), vest in three equal tranches over three years (2017, 2018 and 2019). Vesting was subject to one condition only – the Company's TSR for each 24-month period ending on 30 June 2017, 2018 and 2019 exceeding the median TSR of the designated peer group of listed companies (i.e. companies comprising the S&P / ASX 300 Index, excluding resource companies and listed property trusts).
- One third of the Webjet shares allocated to each Executive KMP participant in FY 2017 vested in August 2017.
- As the Company's TSR for the 24-month period ended 30 June 2018 will likely exceed the median TSR of the peer group for the corresponding period, a further one third of the Webjet shares allocated to each Executive KMP participant in FY 2017 will vest in respect of FY 2018 (assuming the Executive KMP participant remained employed by the Webjet Group in August 2018 (i.e. at the time of vesting)). Table 7 below details the Webjet shares issued to the Executive KMP (other than the Managing Director) during FY 2017 which are likely to vest in FY 2018.
- A corresponding performance hurdle will apply to the remaining one third of the Webjet shares allocated in FY 2017 for the year ending 30 June 2019. If the TSR criterion is not satisfied in that year, the entitlement to those LTI performance shares in FY 2019 will lapse.

LTI – FY 2018

- For the Executive KMP (other than the Managing Director), as part of the revised long term incentive arrangements introduced at the commencement of FY 2018, Webjet moved from the LTI scheme used in FY 2017 to a scheme which involved the issue of performance rights to the Executive KMP participants.
- Subject to the Company achieving the performance criteria (vesting conditions) and their continued employment, the Executive KMP participants will be entitled to exercise their performance rights and become the owners of the resulting Webjet shares. Under the LTI plan for FY 2018, as detailed above in section 2.2, subject to achievement of the vesting conditions and continued employment, the performance rights vest in three years.
- In FY 2018, the Executive KMP participants were offered performance rights equal to 55% of their FAR, with the number of performance rights granted being determined by dividing that percentage of their FAR by $12.21 (that being the VWAP for Webjet shares traded on ASX in the 30 trading days immediately preceding 1 July 2017).
- Table 7 details the Webjet performance rights granted to the Executive KMP (other than the Managing Director) during FY 2018. One performance right relates to one share.

- Under the LTI scheme for FY 2018, the performance rights will vest in three years subject to the Company's performance against two hurdles - a performance condition (EBITDA) (45.45% of the performance rights) and a market condition (Webjet's TSR) (54.55% of the performance rights), with performance measured at the end of Year 3 by reference to the financial results and performance of the Company and the peer group over FY18, FY19 and FY20. The hurdles are structured such that out-performance (between 100% and 150% of the agreed EBITDA and TSR benchmark hurdles) will provide the majority of the benefit to the Executive KMP participants (with the maximum benefit capped at shares of a value equal to 55% of the Executive KMP's FAR). Full details of the vesting conditions are set out in section 2.2 of the Report.
- The performance rights granted to the Executive KMP will vest at the conclusion of the three year window (vesting of the performance rights granted in FY 2018 (if the vesting conditions are achieved) is expected to take place on or about 31 August 2020 (following the completion and lodgement of the audited financial statements of the Company and other entities included in the S&P /ASX 200 Index, excluding resource companies and listed property trusts (i.e. the listed companies that comprise the comparator peer group).

The number included in Table 3 for 'Share based payments – Options & rights' for the Executive KMP (excluding the Managing Director) reflect the accounting expense taken up in FY 2018 based on an assessment of the value of the Webjet shares issued under the 2017 LTI which vested in FY 2018 and the value of the performance rights allocated under the FY 2018 LTI.

Table 7 - Executive KMP LTI Shares and Performance Right in FY2018 (based on fixed value) and the Fair Value assessment at Grant Date

Performance rights were valued using Monte Carlo simulation. The minimum total value of the performance rights is zero as the performance criteria may not be met and the right may not vest. During the current period, 6,245 performance rights had vested for the KMP group.

Key assumptions	**FY18 Plan**	**FY17 Plan**
Vesting basis	Tenure & performance	Tenure & performance
Performance hurdle vesting assumption	Met / not met	Met / not met
Performance hurdle 1	3-year TSR	Tenure
Performance hurdle 2	3-year EBITDA	Webjet TSR
Pricing model	Monte Carlo	Monte Carlo
Exercise price	Nil	Nil
Dividend yield (%)	0	0
Risk-free interest rate (%)	1.99	1.6
Expected volatility (%)	30	39-44
Expected life of performance rights (years)	2.91	1.25 – 3.25
Fair value per share ($)	4.90 TSR / 10.76 EBITDA	3.90 - 4.10
Expiry date	30-Sep-20	30-Sep-19
Number granted to KMP	41,019	18,733

A summary of the above performance rights issued to KMP is disclosed below:

Performance rights of KMP for 30 June 2018

Executive KMP	**Number Granted**	**Vested during the period**	**Forfeited during the period**	**Unvested at 30 June 2018**
Shelley Beasley	33,033	3,351	-	29,682
Graham Anderson	26,719	2,894	-	23,825
Tony Ristveski	-	-	-	-
Total	59,752	6,245	-	53,507

Change of control

Subject to the Board's overriding discretion, both:

(i) unvested options granted to the Managing Director; and

(ii) unvested LTI equity awards under the ESP granted to the Executive KMP (other than the Managing Director),

will, subject to the vesting conditions remaining capable of being satisfied at that time, vest in full on the occurrence of a change of control event (e.g. a takeover or scheme of arrangement) in respect of the shares of Webjet.

Section 4 - Executive KMP service contracts

Each Executive KMP has entered into an employment contract with the Webjet Group.

4.1 Managing Director

The key terms of the current employment contract for the Managing Director are set out below. If a new CEO or another Executive Director was appointed, it is anticipated that similar contractual terms would apply (other than where the Committee determines that different terms should apply for reasons specific to the individual).

The current contract for the Managing Director runs until 30 June 2021, subject always to the right of Webjet and/or the Managing Director to terminate the contract (and the Managing Director's employment) earlier in accordance with its terms.

Termination without cause:

- (a) by Webjet - the Managing Director is entitled to not less than 12 months' notice. Webjet has discretion to make a payment in lieu of notice. On termination by Webjet without cause, the Managing Director will be entitled to the following:
  - if the Managing Director works out the notice period, payment of FAR plus such part of the STI as is determined (by reference to the performance of the Webjet Group in the notice period); or
  - if Webjet elects to make a payment in lieu of notice, payment of FAR for the notice period plus 33.3% or 66.7% of the STI applicable for that year (depending on whether the Managing Director's employment is terminated before or after 6 months from commencement of the financial year); and
  - retention of all options which have vested plus a pro-rata proportion (based on the portion of the relevant year which has elapsed) of the number of unvested options which, if the performance conditions were satisfied in that year, would vest in the Managing Director at the end of that year (all other unvested options will lapse).

- by the Managing Director - Webjet is entitled to not less than 6 months' notice. On termination by the Managing Director without cause, the Managing Director will be entitled to the following:
  - payment of FAR for the notice period (but not the STI); and
  - retention of all options which have vested prior to termination (all unvested options will lapse).

Termination for cause:

Webjet is entitled to terminate the Managing Director's contract with immediate effect in certain limited circumstances, including for breach by the Managing Director of a material provision of the agreement, serious misconduct and/or unsatisfactory performance. On termination by Webjet for cause, the Managing Director will be entitled to be paid the FAR up to and including the date of termination. No STI will be payable for the year of termination and all options held by the Managing Director not then exercised, whether vested or unvested, will lapse.

The Managing Director is also entitled to terminate his employment contract (on 4 weeks' notice) in certain circumstances, including breach by Webjet of a material provision of the agreement and/or on Webjet making any change to the agreement, without the Managing Director's consent, which materially diminishes his status, duties, authority or terms and conditions of employment.

If the Managing Director terminates his employment contract for cause, the Managing Director will be entitled to payment of an amount equal to the amount that he would have been entitled to be paid if the agreement had been terminated on that date without cause by Webjet.

Where the Managing Director's employment contract terminates as a result of redundancy, death, serious illness or disability, the Webjet Board retains a residual discretion to permit retention and/or exercise of unvested equity incentives.

Restraint

The Managing Director's contract includes restraint provisions of a nature and duration that are consistent with market practice. The restraints include a restriction on the Managing Director's involvement in any business competitive with any Webjet Group business for up to a maximum of 12 months after the termination of his employment.

Other Executive KMP

Similar termination provisions to those set out above apply in respect of the employment contracts of the other Executive KMPs, with the exception that there is no contractual right of termination by an Executive KMP in the event that Webjet makes a change to the employment agreement, without the Executive KMP's consent, which materially diminishes the Executive KMP's status, duties, authority or terms and conditions of employment. The standard notice period for termination by Webjet without cause is 12 months. In all cases, Webjet has retained the right to make a payment in lieu of notice. Restraint clauses have been included in the employment contracts of the Executive KMP.

Section 5 - Remuneration policy and payment to Non-Executive Directors

The Board, on the advice and recommendation of the Committee, seeks to set aggregate remuneration for the Non-Executive directors at a level which provides Webjet with the ability to attract Directors of the highest calibre while incurring a cost which is acceptable to shareholders. When setting fees for individual Directors, account is taken of the responsibilities inherent in the stewardship of the Webjet Group and the demands made of Directors in the discharge of their responsibilities (including their participation in relevant Board committees, currently being the Remuneration and Nominations Committee, the Audit Committee and the Risk Committee).

Consistent with the above overriding philosophy, the overall fee cap for Non-Executive Directors was increased, following approval by the shareholders at the 2017 Annual General Meeting, to $850,000 (being an increase of $250,000).

5.1 Components of NED remuneration – FY 2018

Table 7 shows the components of the total remuneration for Non-Executive Directors (NED), the link to strategy, how each component is determined and operates.

Table 8 - NED remuneration components

Remuneration component and link to strategy	Operation and performance framework
Director's Fees Competitive base fees are paid in order to attract and retain high-quality individuals, and to provide appropriate remuneration for the role undertaken. Additional fees are provided to recognise the additional responsibilities, time and commitment required for Committees.	▪ Fees are set at a competitive level based on research and information concerning benchmark fees in equivalent size companies. Fee levels reflect the size and complexity of the Group, the multi-jurisdictional environment arising from the nature and the geographic spread of the businesses conducted by the Group. The economic environment and the financial performance of the Group are taken into account. Consideration is also given to salary reviews across the rest of the Group. ▪ For FY 2018, the Company remunerated its NEDs on the basis of a flat fee (which covered both the NED's roles as a Director and as a member of one or more Board committees). Following a review of NED fees, a different remuneration structure will apply to all NEDs for the current financial year (FY 2019) and beyond.
Superannuation	▪ Superannuation contributions provided on fees only where required by law.
Benefits and expenses Travel allowances	▪ Non-executive Directors receive re-imbursement of travel and other expenses for travel undertaken in attending Board and/or other meetings or performing other duties required of them in their capacity as Directors. ▪ No other benefits are paid to the Non-Executive Directors.

Remuneration component and link to strategy	Operation and performance framework
STI and LTI	▪ Non-Executive Directors are not eligible to participate in any STI or LTI arrangements.
Payments on early termination	▪ There are no provisions in any of the Non-Executive Directors' appointment arrangements for compensation payable on early termination of their directorship.

Table 9 below sets out the total remuneration (fees) paid to the Non-Executive Directors (NED) over the last two financial years.

Table 9 - Total Non-Executive Director (NED) Remuneration – FY 2018 (compared to FY 2017)

2018	Short-term incentives Salary & fees $	Bonus Financial KPI $	Bonus Non-Financial KPI $	Post-employment benefits Superannuation $	Share-based payments Options & rights $	Total $
Non-executive directors						
Roger Sharp [1]	194,175	-	-	5,825	-	200,000
Don Clarke	86,758	-	-	8,242	-	95,000
Brad Holman	82,192	-	-	7,808	-	90,000
Shelley Roberts	77,626	-	-	7,374	-	85,000
Rajiv Ramanathan	85,000	-	-	-	-	85,000
Toni Korsanos	6,088	-	-	5,825	-	11,914
						566,914

[1] Mr Sharp assumed the role of Chairman from 21 June 2017

2017	Short-term incentives Salary & fees $	Bonus Financial KPI $	Bonus Non-Financial KPI $	Post-employment Superannuation $	Share-based Options & rights $	Total $
Non-executive directors						
David Clarke	169,400		-	33,600	-	203,000
Don Clarke	83,807		-	7,962	-	91,769
Steven Scheuer	24,734		-	2,350	-	27,083
Roger Sharp	81,200		-	1,015	-	82,215
Brad Holman	68,493		-	6,507	-	75,000
Shelley Roberts	75,000		-	7,125	-	82,125
Rajiv Ramanathan	-		-	-	-	-
						561,192

5.2 NED remuneration – FY 2019 and beyond

In May 2018, the Committee undertook a review of NED remuneration.

In completing the review, the Committee undertook an analysis of the publicly available information on director remuneration (Chair and NED fees) and, separately, to test the conclusions drawn from that analysis, the Committee had its conclusions reviewed by an independent remuneration consultant.

The Committee's conclusions, which were endorsed by the independent consultant, were that the fees for all NEDs (Chair and other NEDs) were significantly less than the fees paid to the NEDs of comparable companies. As an indicative guide to the Committee on an appropriate level for NED fees, given Webjet's market capitalisation and the complexity of its business, the independent consultant provided the following commentary:

- Fees paid to NEDs of Webjet would be expected to fall in the range of around $125,000 to $155,000, and around $135,000 appears to be the most appropriate reference point for FY 2019.
- Market data on the relativities between Chair and NED fees indicates a Chair fee of around $280,000 (assuming a NED fee of $135,000), with $266,000 being the market median; and
- Committee fees of around $20,000 for Chair and $10,000 for members would be an appropriate reference point for Webjet.

Based on the above commentary from the independent consultant, and the recommendations of the Committee, the Board approved the following NED fees for FY 2019:

- Chair – a single fee of $230,000 per annum (this fee is inclusive of all Board and Committee roles undertaken by the Chair).
- For all other NEDs, the base fee will be $100,000 per annum.

- For all Board Committees, the recommended fees are – Chair - $20,000 // Committee member - $10,000.

All fee levels will be reviewed annually and any changes will be effective from 1 July.

Approach to remuneration for new Directors

The remuneration arrangements for a newly recruited NED will reflect the remuneration policy in place for the other NEDs. As such, moving forward, the fees paid to each NED fee will therefore comprise fees, superannuation payments (where required by law) and committee fees. No variable remuneration (STI and LTI) will be provided to any NED, including newly recruited NEDs.

Letters of appointment and policy on loss of office

Each NED is required to execute a standard letter of appointment. Details of NED remuneration, the term of appointment and other arrangements applicable to the appointment are set out in that letter of appointment.

All NEDs are appointed on the basis that a NED:

(a) cannot hold office without re-election past the third Annual General Meeting following the NED's appointment;

(b) may resign on reasonable notice; and

(c) is not entitled to any payment from Webjet on loss of office.

Section 6 - Statutory Disclosures

This section provides details of any additional statutory disclosures that have not been included in the previous sections of the Remuneration Report.

6.1 Share and Option holdings of KMP

Share and option holdings

The number of ordinary shares / options in Webjet held directly, indirectly or beneficially by each individual (including shares held in the name of the spouse, superannuation fund, nominee and/or other controlled entities) as at 30 June 2018 are shown in Table 10 below.

Table 10 – Shares

	Balance at 30 June 2017 No.	Granted as compensation No.	Received on exercise of No.	Acquisition / (disposal) of No.	Balance at 30 June 2018 No.
2018					
John Guscic	2,206,145	-	1,250,000	831,691	4,287,836
Don Clarke	23,200	-	-	7,867	31,067
Roger Sharp	104,400	-	-	17,400	121,800
Brad Holman	30,520	-	-	19,087	49,607
Shelley Roberts	2,500	-	-	4,917	7,417
Rajiv Ramanathan	-	-	-		-
Shelley Beasley	139,282	-	-	45,172	184,454
Michael Sheehy	-	-	-	2,749	2,749
Graham Anderson	-	-	-	2,894	2,894
Toni Korsanos	-	-	-	-	-
Tony Ristevski	-	-	-	-	-

	Balance at 30 June 2016 No.	Granted as compensation No.	Received on exercise of options No.	Acquisition / (disposal) of No.	Balance at 30 June 2017 No.
2017					
John Guscic	1,109,169	-	1,000,000	96,976	2,206,145
Don Clarke	20,000	-	-	3,200	23,200
Roger Sharp	90,000	-	-	14,400	104,400
Brad Holman	22,000	-	-	8,520	30,520
Shelley Roberts	-	-	-	2,500	2,500
Rajiv Ramanathan	-	-	-	-	-
Shelley Beasley	105,516	-	-	33,766	139,282
Michael Sheehy	-	-	-	-	-
Graham Anderson	-	-	-	-	-
Vaughan Magnusson	-	-	-	9,000	9,000
Immediate past Directors					-
David Clarke	9,000	-	-	1,440	10,440
Steven Scheuer	4,476,254	-	-	244,127	4,720,381

Managing Director - Share Options

Options

This section tabulates the status of all options (as approved by shareholders on 13 November 2013 and 22 November 2017) held by the Managing Director. These are the only options on issue in Webjet.

Table 11 - Managing Director's options

	Balance at 30 June 2017	Granted as compensation	Exercised	Forfeited	Bal at 30 June 2018	Vested and exercisable at 30 June 2018	Unvested at 30 June 2018	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
2018								
John Guscic	2,500,000	3,000,000	-1,250,000	0	4,250,000	1,250,000	3,000,000	0

	Balance at 30 June 2016	Granted as compensation	Exercised	Forfeited	Bal at 30 June 2017	Vested and exercisable at 30 June 2017	Unvested at 30 June 2017	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
2017								
John Guscic	3,500,000	0	1,000,000	0	2,500,000	2,500,000	0	1,000,000

Table 11 - Managing Director's Options

Options series	Number	Grant date	Expiry date	Exercise price ^ $	Fair value at grant date $	Vesting date	Vesting condition	Status at 30 June 2018
John Guscic – Tranche 1(c)	500,000	13/11/2013	30/06/2018	$4.64	$0.14	30/06/2015	Progressive - remain in employment	Exercised
John Guscic – Tranche 2(c)	750,000 250,000	13/11/2013	30/06/2019	$5.14	$0.16	30/06/2016	Progressive - remain in employment	Exercised Vested
John Guscic – Tranche 3(c)	1,000,000	13/11/2013	30/06/2020	$5.64	$0.21	30/06/2017	Progressive - remain in employment	Vested
John Guscic – Tranche 1(d)	1,000,000	22/11/2017	30/06/2021	$12.50	$0.78	30/09/2018	Tenure and Performance Hurdles (EBITDA & TSR)	Unvested
John Guscic – Tranche 2(d)	1,000,000	22/11/2017	30/06/2022	$14.00	$0.75	30/09/2019	Tenure and Performance Hurdles (EBITDA & TSR)	Unvested
John Guscic – Tranche 3(d)	1,000,000	22/11/2017	30/06/2023	$16.00	$0.66	30/09/2020	Tenure and Performance Hurdles (EBITDA & TSR)	Unvested

^ The exercise price for Tranches 1-3(c) reflect the adjusted exercise price at the date of this report as a result of previous rights issues.

500,000 options under Tranche (1c) were exercised on the 7 August 2017 at an exercise price of $4.64. The share price at the date of exercise was $11.91. The value of options exercised by Mr. Guscic was $2,320,000.

250,000 options under Tranche 2(c) were exercised on 11 August 2017 at an exercise price of $5.14. The share price at the date of exercise was $11.31. The value of the options exercised by Mr. Guscic was $1,285,000.

500,000 options under Tranche 2(c) were exercised on 29 November 2017 at an exercise price of $5.14. The share price at the date of exercise was $9.60. The value of the options exercised by Mr. Guscic was $2,570,000.

With respect to the 500,000 options available for the TSR performance component under Tranche 1(d), a total of 287,362 options will vest on 30 September 2018.

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

With respect to the 3,000,000 granted to the Managing Director in November 2017, the principal terms of the options (as approved by the shareholders at Webjet's 2017 AGM) are as follows:

- Subject to satisfaction of the vesting conditions below, the options granted to Mr Guscic vest in three equal tranches (of up to 1,000,000 options each) as detailed below:
  - Tranche 1: Up to 1,000,000 options will vest on 30 September 2018 at an exercise price of $12.50 per share;
  - Tranche 2: Up to 1,000,000 options will vest on 30 September 2019 at an exercise price of $14.00 per share; and
  - Tranche 3: Up to 1,000,000 options will vest on 30 September 2020 at an exercise price of $16.00 per share.
- On exercise of an option (by payment of the exercise price), Mr Guscic will be entitled to be issued one Webjet share. The final date for exercise of each tranche of options will be 30 June in the year that is three years after vesting (i.e. for options vesting on 30 September 2018, these options will lapse on 30 June 2021).
- The options issued to Mr Guscic will not be transferable without the prior written consent of the Company.
- The options will be exercisable subject vesting criteria and performance hurdles, including two equally weighted performance measures which are independent and which will be tested separately.
  - Mr Guscic must remain employed by the Company on the applicable vesting date (except in certain limited circumstances including: death, disablement, redundancy, termination of employment by reason of breach by the Company or other circumstance approved by the Company); and
  - the following performance hurdles will apply:
    - Webjet TSR Hurdle: Vesting of 50% of the options of each Tranche is conditional upon the Webjet TSR growth achieving at least the median of the TSR Benchmark for the relevant year. Thereafter, a sliding scale applies from the median to 75% quartile, with full vesting if Webjet's TSR growth equals or exceeds 75% of the TSR Benchmark,).

      For the purpose of this performance hurdle, the TSR Benchmark is the TSR growth rate for all companies that make up the S&P ASX 200 Index on the first day (1 July) of the relevant financial year, excluding banks, resource companies and listed property trusts.
    - Webjet EBITDA Hurdle: Vesting of the other 50% of the options for each Tranche is conditional upon the Webjet EBITDA Growth achieving 120% of the S&P ASX 200 Average EBITDA Growth Rate for the relevant year (EBITDA Benchmark). If Webjet's EBITDA Growth for the relevant financial year does not reach the EBITDA Benchmark, a sliding scale applies (from 90% to 100% achievement).

      For the purpose of this performance hurdle, the S&P ASX 200 Average EBITDA Growth is the average EBITDA growth rate for all companies that make up the S&P ASX 200 Index on the first day (1 July) of the relevant financial year, excluding banks, resource companies and listed property trusts.
    - No options will vest under the respective hurdles if Webjet's TSR Growth or EBITDA Growth is negative.

6.2 Prohibition on hedging of Webjet shares and options

Executive KMP are not allowed to protect the value of any unvested or restricted equity awards allocated to them or to use unvested or restricted equity awards as collateral in any financial transaction, including hedging and margin loan arrangements, without a specific clearance from the Chairman.

On each occasion on which the Managing Director has exercised options both before and during the course of FY 2018, he has sought and obtained specific clearance from the Chairman to permit him to enter into a structured option and financing arrangements with UBS AG. As at 30 June 2018, there were 1.5 million options exercised under this arrangement.

Any securities that have vested and are no longer subject to restrictions or performance conditions may be subject to hedging arrangements or used as collateral provided that the consent, notification and other restrictions on dealings set out in Webjet's Share Trading Policy are complied with in advance of the Executive KMP entering into the arrangement.

6.3 KMP Transactions

There were no transactions or loans between the Webjet Group and any member of the KMP other than those disclosed in this Remuneration Report.

- ▪ Loan by Webjet to the Managing Director. The Loan is at a commercial interest rate, whereby interest is paid to the Company in cash at the interbank rate plus 3%. For clarity, the interest rate for the year ended 30 June 2018 was 5.0%, down from 5.6% in 2017. The loan is secured against those shares exercised under the option funded by the loan, with repayment not due until the Managing Director ceases employment. The loan is classified as 'other non-current assets' in the consolidated balance sheet. Further details of the loan are provided in the table below.

	Consolidated entity at	
	30 June 2018 $	**30 June 2017 $**
Loans to key management personnel		
Beginning of the year	**1,501,311**	**1,499,908**
Loans advanced	**-**	**1,500,000**
Loans repayments received	**-**	**(1,577,500)**
Interest charged	**76,320**	**78,903**
Interest received	**(22,332)**	**-**
End of year	**1,555,299**	**1,501,311**

A number of Directors hold or have held positions in other companies where it is considered they control or influence the financial or operating policies of those entities. Except as noted above, there have been no transactions with those entities and no amounts were owed by the Webjet Group to entities associated with, or personally related to, the Directors.

This Remuneration Report was approved by the Board on 22 August 2018 and has been signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001 (Cth).

Corporate Governance Statement

Introduction

The Board of Directors (Board) of Webjet Limited is responsible for corporate governance of the Company and its controlled entities. For the purposes of this Corporate Governance Statement the terms "Webjet" and "Company" refer to Webjet Limited and "Group" refers to Webjet Limited and its controlled entities.

Webjet is committed to ensuring high standards of corporate governance and its governance practices have demonstrably supported the business and its growth by facilitating effective board and management decision making, providing clear lines of responsibility and accountability and a commitment to transparent communications with shareholders and other stakeholders.

This Corporate Governance Statement explains the corporate governance framework and practices adopted by Webjet. In developing this framework, the Board has had regard to the corporate governance standards published in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations) and to the governance standards and risk management practices adopted generally by companies of a similar size to Webjet.

Webjet complies with all ASX Recommendations apart from the following:

- Recommendation 7.1(a) (1) – during FY 2018, the Risk Committee comprised two members only. The Board has opted to have separate Audit and Risk Committees with each Non-Executive Director appointed to one of the two Committees. The rationale is that having separate Committees allows better use of the time and resources available and each Committee can better focus on its respective responsibilities. A new Director was appointed to the Webjet Board in June 2018 and as from 1 July 2018 the Risk Committee has comprised three Directors.

This Corporate Governance Statement is current as at 23 August 2018 and has been approved by the Board on this date.

Further information about Webjet's corporate governance practices and policies can be found in the corporate governance section of the Company's investor website (www.webjetlimited.com).

Principle 1 – Lay solid foundations for management and oversight

Role of the Board and management

The role of the Board is to represent shareholders and to promote and protect the interests of Webjet.

The Board governs with regard to the interests of our shareholders (as a whole), our business and financial partners, our employees and our customers.

The Board, through its Chairman and Managing Director, aims for and seeks to instill within the Company a culture of excellence, quality, customer care and service, respect, integrity and trust. It has over many years implemented and managed extensive internal and external quality reviews designed to further these objectives.

The Board Charter sets out the Board's role and responsibilities and describes those matters expressly reserved for the Board and those matters delegated to management (principally the Managing Director).

The Managing Director has responsibility for the day-to-day management of the Group, and is supported in this function by the Company's senior executive team, which is appointed and functions by reference to geographic, business unit and functional requirements. However, the ultimate responsibility for governance and strategy rests with the Directors.

The Board has specifically reserved certain matters for its decision. It delegates authority for all other matters that are necessary for the management of the Company's business to management (through the Managing Director) within authority limits approved from time to time.

The responsibilities reserved by the Board for its decision include:

- reviewing, ratifying and overseeing systems of risk management and internal control and ethical and legal compliance including matters of health, safety, environment and community;
- capital management and decisions regarding major capital expenditure, acquisitions and divestitures;
- developing and reviewing the application of corporate governance principles and policies including approval of the Company's diversity policy and measurable objectives for achieving broad diversity across Webjet;
- approving material documents such as financial statements;
- appointing and conducting performance appraisals of the Managing Director and overseeing succession planning for the Managing Director and Board; and
- reviewing and approving material contractual arrangements, remuneration and benefits in relation to the Managing Director and general oversight of the contractual arrangements, remuneration and benefits in relation to the other Senior Executives.

Director appointment, election and re-election

The responsibility for the selection of potential Directors lies with the Board. In the case of the most recent appointment to the Board, following discussion and agreement at Board level on the preferred characteristics of the candidates for appointment, the Board delegated responsibility to the Remuneration and Nomination Committee for the selection, and recommendation to the Board, of the preferred candidate. Importantly, no resolution for the appointment of any candidate to the Board will be put before the Board for approval without extensive and appropriate background and reference checks taking place.

Similarly, before a Director's election or re-election at an Annual General Meeting (AGM), the performance of the relevant Director will be evaluated and all information relevant to the election or re-election will be provided to the shareholders.

Under Webjet’s Constitution, with the exception of the Managing Director, Directors may not hold office without re-election beyond the third AGM following their election or most recent re-election.

Any Director appointed to fill a casual vacancy since the previous AGM must submit themselves to shareholders for election at the next AGM.

Written agreements with Directors and Senior Executives

The Board has a letter of appointment that contains the terms on which Non-Executive Directors will be appointed, including the basis upon which they will be appointed, paid, insured and indemnified. The letter of appointment clearly defines the role of Directors, including the expectations in terms of participation, time commitment and conflicts. The letter of appointment also makes it clear that Directors are required to disclose circumstances that may affect, or may be perceived to affect, their ability to exercise independent judgement so that the Board can assess independence on a regular basis.

On appointment, all new Non-Executive Directors are briefed fully on the business and strategic plans of Webjet and, on an on-going basis, are required to commit the time necessary to develop and maintain the skills and knowledge needed to perform their role effectively. All Directors are expected to constructively challenge; set the values and standards for Webjet; monitor the performance of management and Webjet itself; satisfy themselves as to the adequacy and integrity of Webjet's financial statements and satisfy themselves that the systems for the identification and management of risks are robust and appropriate.

Senior Executives enter into an employment contract with Webjet which sets out the terms of their employment, the circumstances in which their service may be terminated and any entitlements on termination.

Role of Company Secretary

The Company Secretary at Webjet is responsible for supporting the Board and its Committees in matters to do with the effective functioning and governance of the Company and compliance by the Company with its financial reporting and disclosure obligations to Australian Stock Exchange (ASX), Australian Securities & Investments Commission (ASIC) and other regulatory bodies.

Board and Director performance evaluation

The Webjet Board is committed to transparency in determining Board membership and in assessing the performance of the Board, Board Committees and individual Directors.

The Board conducts annual evaluations of its performance, the performance of its committees, the Chairman, individual Directors and the governance processes that support the Board's work. The Board evaluation process comprises both assessment and review. This includes analysis of how the Board and its Directors are functioning, the time spent by the Board considering matters and whether the terms of reference of the Board committees have been met, as well as compliance with the Board Charter.

The evaluation considers the balance of skills, experience, independence and knowledge of the Company and the Board, its overall diversity, including gender, and how the Board works together as a unit.

Senior Executive performance evaluation

Arrangements are in place to monitor and assess the performance of the Managing Director and Senior Executives each financial year. These include:

- A review of the Company’s financial and operating performance against targets; and
- Performance appraisals incorporating key performance indicators with each individual

The Board conducts the performance evaluation of the Managing Director and the Managing Director conducts the performance evaluations of the Senior Executives.

Diversity and inclusion at Webjet

Webjet's Diversity Policy is approved by the Board and responsibility for its oversight rests with the Board. Further details of the Company’s approach to Diversity and Inclusion are set out in the Company’s Corporate Social Responsibility (CSR) Statement. Both the Diversity Policy and CSR Statement are available on Webjet's investor website.

The Board is committed to ensuring diversity is actively pursued and implemented in terms of Board composition. Diversity is a core consideration in ensuring that the Board and its Committees have the right balance of skills, experience, independence and Group knowledge necessary to discharge their responsibilities.

The Board believes that many facets of diversity are required in order to meet the corporate purpose. In that context, diversity is not restricted to gender. It includes geographic location, nationality, skills, background, knowledge, experience and outlook.

The right blend of perspectives is critical to ensuring the Board oversees Webjet effectively for the benefit of its shareholders. In addition, and supporting the achievement of diversity across the Group, the Board also believes in the importance of creating an inclusive work environment.

Our values, along with the Diversity Policy, guide our approach to diversity and inclusion. Webjet believes its success to date relies in part on having a team comprised of the best people, each bringing different skills, perspectives and experiences, and an inclusive work environment where these differences are valued.

The vision for diversity in Webjet reflects the broadest definition of difference, where we attract, retain and develop people who differ by gender, ethnicity, disability, age, thought, education, experience, family responsibilities and sexuality. Webjet is a global on-line travel business. As a result, it already has a diverse workforce, not only in terms of gender (refer below) and its geographic locations, but also in terms of nationalities, locations, ethnicity, age, education, skills, knowledge and experience. This applies broadly across the Company, at both management and the more junior employee levels.

It is also important to Webjet that its workforce reflects the communities in the countries in which it operates. Webjet also actively promotes gender equality (in respect of employment terms and payment) across its workforce.

Despite its existing diverse nature, subject to the overriding objective of always recruiting and retaining the best people, the Webjet Board is determined to further improve the representation of employees from diverse ethnic backgrounds in its workforce and to progress towards balanced gender representation at Board and senior management levels. The Board's measurable objectives for diversity and inclusion reflect these goals and the Board will monitor progress towards achieving these objectives on an annual basis.

Progress during FY 2018:

Gender diversity during the year was as follows:

- Two of the seven board directors are women (29%)
- 30% of the senior management team are women
- 55% of all Webjet employees are women

During the year, we reached our long-term goal of ensuring at least 25% of the Board and senior management team are women. From the FY18 Annual General Meeting, two of Webjet's six directors will be women.

Focus areas for FY2019

Measurable objectives have been set by the Board consistent with our aim to further progress the Company towards balanced gender and ethnically diverse representation at Board, senior management and all other levels of our business.

The Board's primary diversity aims are:

(i) To continue to increase the diversity profile (including the percentage of women) at both Board and senior management levels; and
(ii) To ensure equal access (based primarily on merit and regardless of gender and ethnicity) to employment opportunities at work.

We will also continue to monitor compliance (through our employee surveys and other means) with our objective of gender equality in remuneration outcomes and progress in creating an inclusive work environment.

Principle 2 – Structure the Board to add value

Role of the Nomination Committee

The Webjet Remuneration and Nomination Committee (RNC) operates as the Nomination Committee. The Committee comprises three independent Non-Executive Directors (including the Committee Chairman). Its Charter outlines the Committee's role in assisting the Board with decisions regarding the composition and structure of the Board. It does this by reviewing and making recommendations to the Board in relation to:

- The appointment and re-election of Directors
- The induction and continuing professional development of Directors
- Board and senior management succession planning
- The recruitment process for a new Director
- Board, Committee and Director performance evaluation

Structure and composition of the Board

Webjet is committed to ensuring that the composition of the Board includes Directors who bring an appropriate mix of skills, experience, expertise and diversity to Board decision making.

The Board has collective business expertise in the areas of travel, digital and on-line businesses, consumer businesses, finance, law, accounting, sales and marketing, operational and project management. Members of the Board also have experience in countries in which Webjet has business assets and activities namely Australia, New Zealand, Asia, the Middle East, Europe and the Americas.

Director skills experience and attributes

The Board considers that a diversity of skills, backgrounds, knowledge, geographic location and gender are important in order to effectively govern the Company and its business. The Board has worked, and will continue to work, to ensure the Board has the right balance of skills, experience, independence and business knowledge necessary to discharge its responsibilities in accordance with the appropriate standards of governance.

To govern Webjet effectively, the Non-Executive Directors must have a clear understanding of the Company's overall strategy, together with knowledge about the business and the environment in which it operates. Non-Executive Directors must be sufficiently familiar with Webjet's core businesses to be effective contributors to the development of strategy and to monitoring performance. They must be familiar with, and understand, the risks that Webjet faces and the processes in place to mitigate and manage those risks.

All Directors are expected to use their range of relevant skills, knowledge and experience and to apply their judgement to all matters discussed at Board meetings.

In addition to formal Board meetings (and Committee meetings) which are held throughout the year, the Directors are in continuous communication on all material and strategic matters. These communications, which are generally conducted by telephone and email, occur frequently and provide for a transparent flow of strategic and operational information and data between the Directors. This level of communication requires significant time commitment and involvement on the part of all Directors (especially the Chairman) and is one of the key elements of Webjet's success.

The Webjet Board operates on a consensus basis. As such, in performing their role as Non-Executive Directors, each Director must commit to the collective decision-making processes of the Board. They must be willing to debate issues openly and constructively, and be free to question or challenge the opinions of others. They must be clear communicators and, equally, good listeners who contribute to the Board in a collegial manner. Each Director must ensure that no decision or action is taken that places his or her interests in front of the interests of Webjet.

The Board considers that its Directors and senior management have the combined skills and experience to discharge their respective individual and combined responsibilities in a publicly listed, global on-line travel company.

In the case of the Managing Director, he also brings additional perspectives to the Board through a deeper understanding of the Webjet Group's business and operations.

The following table sets out the mix of skills and experience that the Board considers necessary or desirable in its Directors.

Director skills / experience matrix

Executive Leadership Sustainable success in business at a senior level in a successful career 6 Directors	**Global experience** Senior management or equivalent experience in global businesses, exposed to a range of political, cultural, regulatory and business environments 4 Directors	**Strategy/risk** Developing and implementing a successful strategy (including appropriately probing and challenging management on the delivery of agreed strategic planning objectives) over the long-term 4 Directors
Corporate governance and compliance Commitment to high standards of governance, business ethics and regulatory compliance 7 Directors	**Financial acumen** Senior management or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including ability to probe the adequacies of financial and risk controls 4 Directors	**Commercial capability** Broad range of commercial skills and experience, including strategy and development, acquisitions and divestments, negotiation, planning and execution phases. 4 Directors
Marketing and communications Senior management or equivalent experience in experience in marketing and a detailed understanding of the steps required to create long term shareholder value through delivery of on-line consumer transactions and customer service 5 Directors	**Regulatory affairs** Experience in regulatory policy, retail and wholesale transactional business laws and policies 2 Directors	

In addition to the skills and experience set out in the skills matrix, the Board considers that each Director has the following attributes:

- honesty and integrity;
- the ability to think strategically;
- an ability to consider materiality and risk tolerance as key considerations in decision making;
- the time available to devote to Webjet's business;
- a willingness to question, challenge and critique;
- a willingness to understand and commit to the highest standards of governance;
- an understanding of the key drivers of the Webjet businesses; and
- a proven track record of creating value for shareholders.

The Webjet Board represents a range of backgrounds. Future Director appointments provide an opportunity to appoint additional international and/or female Directors to the Board, depending on the availability of candidates from time to time and the Board's assessment of the geographic, skills, experience and diversity needs of the Company.

Board Renewal

The Board has actively and effectively planned for its succession. The Board believes that orderly succession and renewal are only achieved as a result of review and careful planning over a period of time. In doing this, the Board:

- determines the skills, backgrounds, knowledge, experience, geographic location, nationality and diversity it believes necessary if it is to meet the corporate purpose;
- assesses the skills, backgrounds, knowledge, experience and diversity currently represented on the Board;
- identifies any deficiency in representation of the desired skills and attributes and agrees a process for selection of one or more candidates who brings those skills to the Board; and
- reviews both individual and Board performance and how performance might be enhanced both at an individual Director level and for the Board as a whole.

Board and Director independence

The Board Charter requires that a majority of Directors (including the Chairman) be independent.

The independence of a Director is assessed according to Webjet's Policy on Independence of Directors, which is available on the Company's investor website.

The assessment is carried out on appointment and, thereafter, annually or sooner if a Director's circumstances change in a manner that warrants re-assessment.

The prime test of independence used by the Board to determine a Director's independence is whether the Director is 'independent of management and of any business interest, position, association or other relationship that could materially influence (or be reasonably perceived to materially influence) the exercise of objective, unfettered or independent judgement by the Director or the Director's ability to act in the best interests of Webjet or its shareholders generally'.

When making assessments of independence, the Board takes into account all relevant facts and circumstances. For the purpose of testing materiality, the Board uses a benchmark of 1% - i.e. a supplier to, or customer of, the Webjet Group will be material if transactions with parties associated with that person account for more than 1% of the Webjet Group's expenditure or more than 1% of such parties' consolidated gross revenue.

Where a Director is considered by the Board to be independent but is affected by circumstances that appear relevant to the Board's (or other person's) assessment of independence, the Board has undertaken to explain the reasons why it reached its conclusion. In applying the independence test, the Board considers relationships with management, major shareholders, subsidiary and associated companies and other parties with whom Webjet transacts business against pre-determined materiality thresholds, all of which are set out in the policy.

Don Clarke was a Partner of the law firm, Minter Ellison, until 30 June 2015. Since that date, he has been (and continues to be) a consultant to that firm. Consistent with the policies of Minter Ellison, Don Clarke has not, since his appointment as a Director in 2008, been involved in the provision of legal advice by that firm to Webjet. In addition, neither his remuneration as a partner nor as a consultant of that firm has been or will in the future be dependent on the professional fees paid by Webjet to Minter Ellison. Further the amount charged for the services provided by Minter Ellison has not been material (within the context of the materiality benchmarks set by the Board) to either Webjet or Minter Ellison. For those reasons, despite the fact that Don Clarke has been a partner of a professional services provider within the last three years (which under the ASX Recommendations is a factor to be taken into account in determining a director's independence), the Board regards him as independent and able to act in the best interests of Webjet. In this context, the Board also notes that in the current year Minter Ellison is not the only law firm to provide legal services to the Webjet Group and that, commensurate with the expanded nature and scope of its businesses, Webjet has moved to a legal panel arrangement for the provision of legal services.

The Board has reviewed the independence of each of the other current Directors and determined that all of the other Non-Executive Directors are independent. The Board also notes that there have been no commercial or financial transactions with any Director or a related party during FY2018.

John Guscic is not considered independent as he is the Managing Director and a member of Webjet's management.

Chairman

The principal role of the Chairman is to provide leadership to the Board, to ensure the Board works effectively and discharges its responsibilities, and to encourage a culture of openness, debate, performance and collegiality. The Board's policy is that the Chairman ought not be the same person as the Managing Director to ensure there is effective Board oversight of management's activities.

The Chairman:

- represents the Board to the shareholders and communicates the Board's position on issues;
- serves as the primary link between the Board and management; and
- sets the agenda for Board meetings (in consultation with the Managing Director and the other Directors) and is responsible for ensuring that all Directors are adequately briefed in relation to issues addressed at Board meetings.

Senior Independent Director

The senior independent Director role is to act as a sounding board for the Chairman, serve as an intermediary for the other Directors (if necessary); and be available to shareholders if they have concerns which contact through the normal channels of Chairman or the Managing Director has failed to resolve or for which such contact may be inappropriate.

Director induction and ongoing professional development

The induction of Directors is the role of the Remuneration and Nomination Committee and includes ensuring that an effective orientation program is in place. Directors are encouraged to engage in professional development activities and to develop and maintain the skills and knowledge needed to perform their duties as a Director effectively.

Principle 3 – Act ethically and responsibly

Promoting responsible and ethical behaviour

Webjet is committed to maintaining ethical standards in the conduct of its business activities and strongly believes that its reputation as an ethical business organisation is important in its ongoing success. The Webjet Group has established various policies and procedures that set out its values and expectations as to how the Company and its employees will work and behave towards each other.

Code of Conduct for Directors and Senior Executives

The Webjet Code of Conduct for Directors and Senior Executives represents a commitment by all Directors and senior management to uphold ethical business practices and meet or exceed applicable legal requirements. It sets the standard for behaviour and provides guidance which in turn assists in building trusting relationships with suppliers, business partners, customers and shareholders.

Webjet has independent external systems in place for employees and contractors to be able to anonymously report concerns regarding the behaviour of employees, or those representing Webjet, in a way that protects their identity.

Failure to comply with the Code of Conduct is viewed as a serious matter, which may lead to disciplinary action, including dismissal and/or legal action. The Code of Conduct for Directors and Senior Executives is set out on the Company’s investor website.

Webjet Group Code of Conduct for all Employees

The Webjet Group Code of Conduct is required to be signed by all employees prior to commencing work.

Webjet is committed to operating to the highest standards of ethical behaviour and honesty and with full regard for the safety and health of its staff members, customers, the wider community and the environment. Webjet employees must act with integrity and honesty in the day to day performance of their jobs and in any situation where their conduct and behaviour could influence respect for the Company. The Company has adopted policies which commit it to meeting its responsibilities in areas where ethical or legal issues arise and these are set out in the Webjet Group Code of Conduct for all Employees, which is available on the Company’s investor website.

Dealings in Webjet securities

Webjet has adopted a Share Trading Policy with the purpose of:

- ensuring that public confidence is maintained in the reputation of Webjet, its Directors and employees and in the trading of the Company’s securities;
- explaining the Company’s policy and procedures for employees (including Directors) dealing in the Company's securities; and
- recognising that some types of dealing in securities are prohibited by law.

The Share Trading Policy applies to all Directors, members of the senior management team and all other employees.

No Director, member of the senior management team or other employee who has been advised by the Company Secretary that he or she is a 'Designated Officer' of the Company (for the purposes of the Policy) is permitted to deal in the Company's securities during certain blackout periods (which are set out in the Share Trading Policy). Outside of the blackout periods, such persons must notify the

Company and/or seek prior approval for a proposed dealing in the Company's securities. The Share Trading Policy also sets out Webjet's policy on hedging arrangements, further details of which are set out in the Remuneration Report included in this Annual Report.

Corporate Social Responsibility

In FY18 Webjet adopted a new Corporate Social Responsibility (CSR) Statement that sets out the structures and procedures in place to underpin its corporate social responsibilities. At the core of Webjet's CSR program are three fundamental areas of focus:

- Diversity and Inclusion
- Operating Responsibly
- Environment and Sustainability

Diversity and Inclusion is covered in Principle One, above.

Operating responsibly is a key priority for Webjet. The Company sponsors a workplace culture and approach to business that reflects its values and key beliefs. The CSR Statement covers Webjet's values and principles in relation to a wide range of areas including:

- Corporate culture
- Human rights
- Harassment and discrimination
- Training and development
- Workplace flexibility
- Remuneration
- Business ethics and transparency
- Anti-bribery/anti-corruption
- Political engagement
- Anti-money laundering, counter terrorism financial and sanctions laws
- Consumer and competition law
- Tax
- Whistle blowing
- Information security and privacy
- Stakeholder engagement

Operating in an environmentally sustainable manner is also a priority for Webjet. While as an on-line business the Company's direct impact on the environment is minimal, Webjet approaches its responsibility in two ways: (a) minimising its own environmental impact; and (b) promoting environmentally responsible and sustainable travel to its customers where relevant.

During FY19 the Company will work on a range of sustainability initiatives, including carbon neutrality for its WebBeds business, and assisting its B2C customers with carbon offset choices.

The various structures and procedures in place to underpin the company's CSR responsibilities are set out in the Company's CSR Statement which is available on the Company's investor website.

Principle 4 – Safeguard integrity in corporate reporting

Role of the Audit Committee

The Audit Committee assists the Board in overseeing:

- the integrity of the Webjet Group's financial statements and financial reporting;
- the appointment, remuneration, qualifications, independence and performance of the External Auditor and the integrity of the audit process as a whole;
- reviewing and monitoring the provision of additional services (if any) by the External Auditor;
- the effectiveness of the systems of internal financial control and risk management;
- plans, performance, objectivity and leadership of the internal financial control and audit functions and the integrity of the audit process as a whole;
- systems for compliance with applicable legal and regulatory requirements within the Committee's area of responsibility;
- capital management (funding, liquidity, balance sheet management, dividends); and
- other matters requiring the approval of the Committee under its Charter or as referred by the Board from time to time.

In addition to its regular business, the Audit Committee discusses matters including compliance, adequacy of the internal accounting and finance resources and taxation. It also assists the Board in assuring the integrity of the Group's financial statements, by making recommendations to the Board about the appropriateness of accounting policies and practices, areas of judgement, compliance with Accounting Standards, stock exchange and legal requirements and the results of the external audit.

The Audit Committee reviews the half-yearly and annual financial statements and makes recommendations on specific actions (including formal adoption of the financial statements and reports) or decisions the Board should consider in order to maintain the integrity of the financial statements.

The Audit Committee also continues to monitor regulatory developments in relation to the audit regime and the role of audit committees, and will continue to review and assess how changes in such matters are likely to impact the Webjet Group in the future.

Under the Audit Committee Charter, the Committee must consist of at least three members. Its members must be Non-Executive Directors (a majority of whom must be independent) and have an independent Chairman (who is not the Chairman of the Board). The Committee members must between them have financial and accounting expertise and a sufficient understanding of the industry in which Webjet operates to be able to discharge the Committee's mandate effectively. The membership of the Audit Committee, both during the recent financial year and as it is at presently comprised, complied fully with the requirements of the Audit Committee Charter.

The Managing Director and his nominees, principally the Chief Financial Officer (CFO), support the work of the Committee and are regularly invited to attend and present at Committee meetings.

The Committee also meets with the External Auditor, both with and without members of management being present, on a regular basis and whenever deemed appropriate by the Committee Chairman.

Integrity of financial reporting – Managing Director (MD) and Chief Financial Officer (CFO) certification

The MD and CFO respectively provide assurance to the Board that:

- Webjet's financial reports for each half year and full year present a true and fair view of the financial position and performance of the Company and are in accordance with accounting standards
- Their opinion is based on a sound system of risk management and internal compliance and control
- The Company's risk management and internal compliance and control system is operating effectively

External Auditor at the Annual General Meeting

Webjet's External Auditor attends the Company AGM and is available to answer questions about the conduct of the audit and preparation and content of the auditor's report.

Principle 5 – Make timely and balanced disclosure

Market disclosure and communications with shareholders

Webjet places material importance on effective communication with its shareholders, prospective shareholders and market participants and is committed to promoting high standards of disclosure to ensure that trading in Webjet's shares occurs in an efficient and well-informed market.

Webjet has disclosure obligations under Australian law and regulations (i.e. Corporations Act and ASX Listing Rules).

To safeguard the effective dissemination of information and to ensure that Directors and employees are aware of their obligations, Webjet has adopted a Market Disclosure and Communications Policy that outlines:

- the procedures adopted by the Company for meeting its disclosure requirements;
- the roles and responsibilities of the Board, Managing Director and Company Secretary in ensuring Webjet complies with its disclosure obligations; and
- the standards Webjet adopts for ensuring effective communication with shareholders and market participants.

All employees play an important role in enabling Webjet to comply with these obligations and all steps in the disclosure process are aimed at ensuring that information that may need to be disclosed is reported in a timely manner. A copy of the Market Disclosure and Communications Policy can be found on the Corporate Governance section of Webjet's investor website.

Principle 6 – Respect the rights of shareholders

Information about Webjet and its governance for shareholders

Webjet places considerable importance on effective engagement and communication with shareholders. It recognises the value of providing current and relevant information to shareholders. Webjet's corporate website www.webjetlimited.com.au includes a corporate governance tab, where all relevant corporate governance policies and information can be accessed. Copies of Webjet's annual reports and financial statements, ASX announcements, media releases and investor presentations are also available on the corporate website along with an overview of Webjet's businesses, brands, Board and management and corporate information.

Investor Relations

Webjet is committed to effective two-way communication with shareholders and other financial market participants through our investor relations, electronic communications and engagement programs.

The Company’s investor relations program aims to allow investors and other financial market participants to gain a greater understanding of our business, governance, financial performance and prospects. It provides a forum for investors and other financial market participants to express their views to us on matters of concern and interest to them.

The investor relations team assesses and evaluates shareholder feedback, received through calls to them, question and answer sessions at the AGM and questions raised at investment briefings.

Engagement between our Directors, shareholders and other financial market participants is an important part of our communication process. It assists in building awareness, alignment and better long-term relationships. While acknowledging and valuing continuous disclosure obligations, it is important for Directors and the Board to understand different perspectives of the various stakeholders and be prepared to respond to feedback.

Webjet is committed to a program of engagement with shareholders and other financial market participants which involves meetings that encourage constructive dialogue with the Company on the business, financial results, strategy and, as appropriate, governance and remuneration matters.

Feedback from these communication programs is reported to the respective Committees and to the Board. This ensures that all Directors have an understanding of shareholder perspectives on important matters.

Shareholder engagement and the Annual General Meeting (AGM)

The Annual General Meeting (AGM) is an important occasion for updating shareholders on the Company's performance. Webjet encourages all shareholders to attend and participate in the AGM to ensure a high level of accountability and understanding of the Company’s strategy and goals. Voting rights are seen as an important tool for shareholders to cast their views on significant matters affecting Webjet's business.

The AGM offers an opportunity for shareholders to ask questions of and to hear from the Board. Shareholders may also submit written questions to the Company in advance of the AGM. This allows the Board to listen to and respond to feedback. If practicable, all Directors and members of the senior management team attend the AGM. The External Auditor is also ordinarily available to answer questions relevant to the audit.

Shareholders unable to attend the AGM in person are able to listen to the AGM via webcast on Webjet’s investor website. The webcast is a 'listen only mode' webcast with no ability for shareholders to ask questions or participate in the meeting.

Electronic communications

Shareholders can elect to receive electronic communications from Webjet’s share registry by visiting www.computershare.com.au/easyupdate/WEB.

Principle 7 - Recognise and manage risk

Role of the Risk Committee

The purpose of the Risk Committee is to provide an oversight across the Group for all categories of risk. Under the Webjet Risk Committee Charter, the Committee must consist of not less than two Non-Executive Directors (unless otherwise determined by the Board). Since 1 July 2018, the Risk Committee comprises three Non-Executive Directors.

The Risk Committee assists the Board in overseeing:

- the appropriateness of Webjet’s strategic direction in light of the economic, social, political, cyber, legal and regulatory environments in which the Group operates;
- the identification of material business risks and priorities (in terms of relative risk levels) and allocating resources effectively and efficiently;
- procedures for identifying business and operational risks (including cyber-security risks) and controlling their financial impact on Webjet and the operational effectiveness of policies and procedures relating to risk and control;
- the operating effectiveness of the systems of internal financial control and risk management;
- the adequacy of internal controls and allocation of responsibilities for monitoring internal business, IT and financial systems and controls;
- the arrangements for protecting intellectual property, confidential and private customer information and other non-physical assets;
- procedures for ensuring compliance with relevant regulatory and legal requirements including Occupational Health and Safety OH&S laws and regulations, policies and practices for detecting, reporting and preventing fraud and serious breaches of business conduct procedures and controls;
- a risk assessment (risk identification, risk analysis – including likelihood and impact assessment and risk evaluation) for material risk issues;
- the design, implementation, operation and assessment of controls to ensure residual risks are tolerable;
- that resources are acquired economically, used efficiently and adequately protected;
- the adequacy of the coverage and quantum of insurance arrangements of Webjet; and
- other matters requiring the approval of the Committee under its Charter or as referred by the Board from time to time.

The Managing Director and his nominees, principally the Group Chief Commercial Officer and the CFO, support the work of the Risk Committee and are invited to attend and present at Committee meetings as required.

Review of Risk Management Framework

In addition to the work of the Risk Committee, the Board reviews and considers the Group's risk profile on a regular basis to ensure it supports the achievement of Webjet's strategy, including determining the nature and extent of risks the Board is prepared to take in the pursuit of the Webjet Group's objectives. The Board is also responsible for reviewing, endorsing and overseeing the Company's risk management framework, at least annually, and satisfying itself that it continues to be sound and that Webjet is operating within the risk tolerance levels determined by the Board.

Internal Audit Function

Webjet does not have an Internal Audit function. Internal audit and risk management are presently contained within each of the Company's business units and are a specific responsibility of the CEOs of each business unit. The business unit CEOs complete monthly risk management reports including key performance metrics and detailed control and risk issues for review by the Managing Director and oversight by the Board.

As the Company's global footprint expands, the Board actively monitors whether and when to establish an Internal Audit function.

Management of material exposure to economic, environmental and social sustainability risks

Economic, business and social sustainability risks

Webjet is exposed to a range of economic, business and social sustainability risks and seeks to mitigate any material exposures to its operations through a range of measures aligned with its risk management framework. The table below describes key economic, business and social sustainability risks. Every effort is made to identify and manage material risks, however additional risks not currently known or detailed below may also adversely affect future performance.

Risk area	Description
Economic conditions	• Economic downturns, both domestically and internationally, may have an adverse impact on the Company's performance
Market risk	• Changes within the specific travel markets in which Webjet operates, whether the result of changes in or to key markets, changes in product availability or methods of distribution and/or payment, changes in consumer demand or otherwise, and a failure of Webjet to predict or respond to any such changes, may impact the financial results of Webjet.
Consumer preferences	• Changes in consumer sentiment and/or preferences towards Webjet Group and/or travel generally (or in key markets), and a failure of Webjet to predict or respond to any such changes, may impact demand for the products that Webjet sells. Extreme weather events, if repeated regularly, may change travel preferences and/ or consumer habits over the medium term.
Increased competition	• The actions of established or potential competitors, the introduction of new business models, the release of new on-line technologies and/or the transition to new mobile booking apps, or existing competitors simply becoming more effective in competing with Webjet Group, may have a material and adverse negative impact on the Webjet Group's business and financial performance
Financial	• The Company operates in several international markets and is subject to movements in foreign exchange markets and interest rates and to changes across multiple tax regimes / policies, accounting standards and banking practices, any of which may have a material and adverse negative impact on the Webjet Group's business and financial performance.
Technological disruption	• Technological innovation can be highly disruptive to established markets such as travel
Data security	• As with all e-commerce businesses, the Webjet Group is reliant on the security of its website, payment and data management systems and protection of personal information of its customers. Security and privacy breaches (whether through cyber attack or otherwise) has the potential to impact customer satisfaction and confidence and to impact on the operations and financial performance of Webjet and/or its share price.
Technology / IT systems	• Webjet is heavily reliant on its IT systems. Termination or non-renewal of licences, failure to update and upgrade IT systems, system errors and/ or performance failures, system availability and loss of systems and/or corruption of data (including through cyber attack) could impact customer satisfaction and ability to complete transactions
Key personnel	• The company's operating and financial performance is largely dependent on its ability to attract and retain talent, in particular key personnel. High turnover and loss of key staff could impact operating and financial performance
Reputation risk	• The Company's brand and reputation are key factors in the success of the Webjet businesses. Any events or issues which impact either Webjet's brand or reputation (or both) could materially impact Webjet's ability to compete successfully and result in adverse effects on future business plans.
On-line bookings	• Changes in the on-line booking market, including on-line search costs, may result in significant increase in marketing costs, which may in turn materially and adversely impact Webjet's financial performance.
Supplier relationships	• As an on-line vendor of third party products, Webjet is dependent on its relationships with its suppliers and their terms of supply. Loss of any material supplier, major change in the terms of supply or one or more major suppliers developing more effective ways to sell their products directly to the end consumers would likely have a material impact on Webjet's business model and profitability.

Customer loyalty	• The Webjet Group businesses are 'customer service' businesses and are, in part, dependent on customer satisfaction and loyalty (i.e. repeat business). Any diminution in customer satisfaction would be likely to have an adverse impact on the financial performance and position of Webjet.
War, terrorism and other external events	• International hostilities, terrorism, epidemics or outbreaks of disease, political or social instability, natural disasters and weather effects can and often do affect airline, accommodation and other travel sales, which may have an adverse impact on Webjet's operating and financial performance.
Government policies / regulation	• Unfavourable changes to government regulation or legislation, regulatory rules and/or policies / procedures (including changes to consumer credit laws, consumer financing, trade practices and competition laws, regulation of travel agents etc.) may adversely affect Webjet's business model and profitability.
Intellectual property	• Webjet's ability to leverage its innovation and expertise depends on its ability to protect its intellectual property and any improvements to it.
Strategy/ M&A	• Industry consolidation through M&A could change the competitive framework and increase risk. The Company undertakes M&A activity and the success of new acquisitions is dependent on its ability to effectively integrate and extract synergies.

There are various structures and procedures in place to manage the Company's key economic and business risks. The Risk Committee meets regularly, including with members of the senior management team, to review the material risks faced by the Webjet Group and the business practices and processes in place to minimise these risks or their impact (if a material adverse event or issue should occur). The steps taken by Webjet to manage risk are set out in the CSR Statement available on Webjet's investor website.

Webjet understands that travel, like all businesses, is subject to key economic risks such as GDP growth, recession, consumer confidence, interest rate and currency movements. Notwithstanding these risks, the Company considers that the online travel industry is experiencing a positive, long term secular growth trend resulting from an ageing population, the product and price discovery available via the Internet, and the relatively low real pricing of travel products in today's environment. Webjet offers its customers a suite of global destinations and related products, which enables it to respond to changes in demand based on changing economic conditions. Further, diversification in its B2B and B2C business provides a hedge against economic, climactic and related risks.

Environmental & sustainability risks

Webjet accepts that, as part of doing business in both Australia and internationally, its customers, shareholders, employees and the community expect that it will do so in an environmentally responsible and sustainable manner.

While the direct impact of the environment on the Webjet business and, conversely, the Webjet business (and the manner in which it carries on its business) on the environment, is very limited by reason of it being primarily an on-line seller of products and services of third parties, Webjet is conscious of its responsibilities and, in particular, in respect of the following key areas:

- in the daily conduct of its business, Webjet seeks to create a work environment where sustainability, energy efficiency and waste reduction are encouraged and, where it is practicable to do so, promotes opportunities and/or products which minimise the carbon footprint of Webjet and its customers; and
- in respect of the impact of climate-related environmental change on its financial performance and prospects, Webjet is cognisant that product suppliers and other participants in the travel industry face the prospect, whether now or in the future, of climate-related financial risks. These risks may lead to changes in consumers' travel habits and preferences. While Webjet's financial performance to date has not been materially affected by climate-related risks, the Webjet Board is conscious of the need, despite the limited impact to date on Webjet's strategic, business and financial planning, to regularly review these risks and, where appropriate, take action to address these risks and to report to the market (and any likely future impact on Webjet's financial performance).
- at present, given their limited impact on Webjet's financial performance, Webjet does not believe that disclosure (beyond this report) of climate-related financial risks would assist shareholders, the market or the investment community generally in understanding the material financial risks it faces. However, Webjet will regularly review such impact risks on its businesses and, where appropriate in the future, will report on these risks (and their potential impact). In doing so, it will have regard to the voluntary framework for companies to disclose the material impacts of climate change on their financial performance and prospects established by the Task Force on Climate-related Financial Disclosures.

Principle 8 – Remunerate fairly and responsibly

Role of the Remuneration Committee

The Remuneration and Nomination Committee comprises three independent Non-Executive Directors (including the Committee Chairman). Members of the senior management team support the work of the Committee and are invited to attend Committee meetings as required. No senior management team member is present when any matter relevant to their remuneration is considered and/or discussed.

The Remuneration and Nomination Committee assists the Board in overseeing the:

- remuneration policy and framework (including short and long-term incentive plans), its specific application to the Managing Director and its general application to all members of the Senior Executive team and, as appropriate, employees;
- the adoption, operation and administration of all annual and longer-term incentive plans;

- the determination of levels of reward for the Managing Director and general overview of the levels of reward for the Managing Director's direct reports;
- the annual evaluation of the performance of the Managing Director (via the Chairman of the Company);
- the Company's compliance with applicable legal and regulatory requirements associated with remuneration matters;
- preparation of the Remuneration Report included in the Annual Report; and
- communication to shareholders and other stakeholders on remuneration policy and the Committee's work on behalf of the Board.

Remuneration policies and practices

Webjet is committed to attracting and retaining the best people to work in the organisation, including Directors and Senior Executives. The remuneration arrangements the Board has put in place recognise the need to align the activities of management with the interests of Webjet's shareholders. Key objectives which underpin the structure and quantum of remuneration arrangements include to:

- support the execution of the Group's business strategy in alignment with the appropriate risk framework;
- be internationally competitive to attract, motivate and retain skilled executives willing to work globally;
- recognise and reward executives fairly and equitably by reference to their unique skills and industry experience;
- align the structure of executive remuneration as closely as possible with the delivery of shareholder value; and
- support contractual and approved obligations without paying more than is reasonably necessary.

GUIDELINES FOR NON-EXECUTIVE DIRECTOR REMUNERATION	GUIDELINES FOR EXECUTIVE REMUNERATION
Composition: Non-Executive Directors are remunerated by way of cash fees and superannuation contributions. They are also entitled to reimbursement of travel and other expenses in attending Board and/or other meetings or performing other duties required of them in their capacity as Directors.	**Composition:** Remuneration packages for the Managing Director and Senior Executives are set so as to include an appropriate balance of fixed remuneration and "at-risk" performance-based remuneration.
Fixed remuneration: Competitive base fees are paid in order to attract and retain high quality individuals and to provide appropriate remuneration for the role undertaken. Additional fees are paid to recognise the additional responsibilities, time and commitment required for Committees. Superannuation contributions are made as required by law.	**Fixed remuneration:** A competitive base salary is paid reflecting responsibilities, location, skills, performance, qualifications and experience. It is aligned with salaries for comparable roles in both Australian and global companies of similar global complexity in order to attract and retain high quality and experienced Executives.
Performance-based remuneration: Non-Executive Directors do not receive any performance-based remuneration.	**Performance-based remuneration:** Webjet's short term incentives focus the efforts of the Executives on those performance measures and outcomes that are priorities for the Group and which deliver performance at or above agreed performance objectives. By contrast, the long term incentives focus the efforts of the Executives on the achievement of sustainable long-term value creation for the Group and the shareholders.
Equity based remuneration: Non-Executive Directors do not receive any equity-based remuneration.	**Equity- based remuneration:** Webjet provides long term incentives in the form of equity, aligning the interests of Executives and shareholders. The Managing Director is granted options (which have a significant hurdle in the form of their exercise price and conditions) and Senior Executives are granted performance rights (which are subject to a relative Total Shareholder Return TSR performance condition).
Termination payments: There are no provisions for compensation payable for early termination of directorships.	**Termination payments:** The service contracts for the Managing Director and Senior Executives clearly set out what will happen in the case of early termination and the level of agreed termination payments. In all cases Webjet retains the right to make a payment in lieu of notice. There is no payment payable for removal for misconduct.

Equity based remuneration

Webjet's Managing Director and Senior Executives are not allowed to protect the value of any unvested or restricted equity awards allocated to them or to use unvested or restricted equity awards as collateral in any financial transaction including hedging or margin loan arrangements without specific clearance from the Chairman. Any securities that have vested and are no longer subject to restrictions or performance conditions may be subject to hedging arrangements and used as collateral provided Webjet's Share Trading Policy is complied with in advance of entering into such an arrangement.

Webjet Limited ABN 68 002 013 612
Financial Report

For the year ended 30 June 2018

Contents

Webjet Limited
Consolidated Statement of Profit or Loss

For the year ended 30 June 2018

	Notes	Consolidated entity Year ended 30 June 2018 $'000	30 June 2017 $'000
Revenue	4	**751,783**	199,219
Finance income	5(a)	**1,003**	3,320
Other income	5(b)	**9,828**	35,658
		762,614	238,197
Cost of providing travel services		**(470,570)**	(13,625)
Employee benefits expense	7	**(88,288)**	(57,877)
Depreciation, amortisation and impairment	7	**(22,014)**	(8,223)
Marketing expenses		**(39,208)**	(34,011)
Operating expenses		**(41,068)**	(34,331)
Technology expenses		**(13,648)**	(8,548)
Administrative expenses		**(9,657)**	(7,234)
Finance expenses		**(6,691)**	(3,386)
Other expenses	7	**(11,766)**	(9,366)
Business acquisition costs		**(1,139)**	-
Profit before income tax		**58,565**	61,596
Income tax expense	6	**(17,091)**	(9,174)
Profit from continuing operations		**41,474**	52,422
Profit for the period		**41,474**	52,422
Profit is attributable to:			
Owners of Webjet Limited		**41,474**	52,422
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	18	**36.02**	53.79
Diluted earnings per share (cents)	18	**35.61**	52.87

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Webjet Limited
Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	Consolidated entity Year ended 30 June 2018 $'000	30 June 2017 $'000
Profit for the period		**41,474**	52,422
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in fair value of forward exchange contracts		**(767)**	-
Exchange differences on translation of foreign operations		**17,189**	(1,671)
Changes in fair value of cross currency interest rate swaps		**(3,605)**	43
Items that have been subsequently been reclassified to profit or loss			
Ineffective cashflow hedge		**322**	-
Foreign exchange gain on disposal of subsidiaries		**-**	(5,569)
Other comprehensive income for the period, net of tax		**13,139**	(7,197)
Total comprehensive income for the period		**54,613**	45,225
Total comprehensive income for the period is attributable to:			
Owners of Webjet Limited		**54,613**	45,225
Total comprehensive income for the period attributable to owners of Webjet Limited arises from:			
Continuing operations		**54,613**	45,225

Webjet Limited
Consolidated Balance Sheet

As at 30 June 2018

	Notes	Consolidated entity At 30 June 2018 $'000	30 June 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	24	**190,770**	178,125
Trade and other receivables	8	**261,000**	117,372
Current tax receivables		**-**	766
Other current assets	10	**11,293**	20,464
Loan receivable		**6,883**	13,297
Total current assets		**469,946**	330,024
Non-current assets			
Other financial assets		**255**	255
Other non-current assets		**1,555**	1,530
Deferred tax assets	6(c)	**6,373**	2,787
Property, plant and equipment	11	**22,292**	11,689
Intangible assets	12	**583,166**	139,428
Loan receivable		**-**	7,106
Total non-current assets		**613,641**	162,795
Total assets		**1,083,587**	492,819
LIABILITIES			
Current liabilities			
Trade and other payables	13	**450,714**	184,593
Borrowings	14	**32,212**	13,170
Derivative financial instruments	26(b)	**992**	1,186
Current tax liabilities		**6,372**	-
Provisions	15	**4,795**	3,999
Other current liabilities	16	**8,029**	22,774
Total current liabilities		**503,114**	225,722
Non-current liabilities			
Deferred tax liabilities	6(c)	**37,543**	13,139
Borrowings	14	**90,503**	36,300
Provisions	15	**1,691**	1,320
Derivative financial instruments	26(b)	**7,031**	-
Other non-current liabilities	16	**881**	-
Total non-current liabilities		**137,649**	50,759
Total liabilities		**640,763**	276,481
Net assets		**442,824**	216,338
EQUITY			
Share capital	17(a)	**329,245**	136,453
Reserves	17(b)	**12,022**	(1,522)
Retained earnings		**101,557**	81,407
Capital and reserves attributable to owners of Webjet Limited		**442,824**	216,338
Total equity		**442,824**	216,338

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Webjet Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2018

			Attributable to owners of Webjet Limited					
Consolidated entity	Notes	**Share capital $'000**	**Available-for-sale financial assets $'000**	**Cash flow hedges $'000**	**Share-based payments $'000**	**Foreign currency translation $'000**	**Retained earnings $'000**	**Total $'000**
Balance at 1 July 2017		136,453	55	(1,111)	1,467	(1,933)	81,407	216,338
Profit for the year		-	-	-	-	-	41,474	41,474
Other comprehensive income		-	-	(4,050)	-	17,189	-	13,139
Total comprehensive income for the period		**-**	**-**	**(4,050)**	**-**	**17,189**	**41,474**	**54,613**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs and tax	17(a)	156,968	-	-	-	-	-	156,968
Issue of ordinary shares as consideration for a business combination	17(a)	28,718	-	-	-	-	-	28,718
Dividends paid	19	-	-	-	-	-	(21,324)	(21,324)
Issue of shares exercised through options	17(a)	6,175	-	-	-	-	-	6,175
Transfer from share based payment reserve		931	-	-	(931)	-	-	-
Share based payment expense		-	-	-	1,336	-	-	1,336
		192,792	-	-	405	-	(21,324)	171,873
Balance at 30 June 2018		**329,245**	**55**	**(5,161)**	**1,872**	**15,256**	**101,557**	**442,824**

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

Webjet Limited
Consolidated Statement of Changes in Equity

For the year ended 30 June 2018
(continued)

		Attributable to owners of Webjet Limited						
Consolidated entity	Notes	**Share capital $'000**	**Available-for-sale financial assets $'000**	**Cash flow hedges $'000**	**Share-based payments $'000**	**Foreign currency translation $'000**	**Retained earnings $'000**	**Total $'000**
Balance at 1 July 2016		101,690	55	(1,154)	560	5,307	44,142	150,600
Profit for the year		-	-	-	-	-	52,422	52,422
Other comprehensive income		-	-	43	-	(7,240)	-	(7,197)
Total comprehensive income for the period		**-**	**-**	**43**	**-**	**(7,240)**	**52,422**	**45,225**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs and tax	17(a)	30,257	-	-	-	-	-	30,257
Dividends paid	19	-	-	-	-	-	(15,157)	(15,157)
Issue of shares exercised through options		4,280	-	-	-	-	-	4,280
Transfer from share based payment reserve		226	-	-	(226)	-	-	-
Share based payment expense		-	-	-	1,133	-	-	1,133
		34,763	-	-	907	-	(15,157)	20,513
Balance at 30 June 2017		**136,453**	**55**	**(1,111)**	**1,467**	**(1,933)**	**81,407**	**216,338**

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

Webjet Limited
Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Notes	Consolidated entity Year ended 30 June 2018 $'000	30 June 2017 $'000
Cash flows from operating activities			
Receipts from customers		**1,379,997**	638,684
Payments to suppliers and employees		**(1,247,526)**	(591,488)
Income taxes paid		**(6,560)**	(12,141)
Interest and other costs of finance paid		**(6,002)**	(3,321)
Interest received		**942**	3,054
Net cash inflow from operating activities	25(a)	**120,851**	34,788
Cash flows from investing activities			
Payments for property, plant and equipment	11	**(10,247)**	(5,144)
Purchase of intangible assets	12	**(18,149)**	(12,342)
Disposal of subsidiaries, net of cash	30	**-**	54,538
Payments for acquisition of subsidiary, net of cash acquired	29	**(320,318)**	-
Proceeds from sale of property, plant and equipment	11	**241**	-
Proceeds from sale of intangible assets	12	**264**	-
Dividends received		**225**	142
Net cash (outflow) inflow from investing activities		**(347,984)**	37,194
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**170,202**	31,510
Proceeds from borrowings		**140,470**	50,493
Repayment of borrowings		**(68,434)**	(55,599)
Dividends paid to company's shareholders	19	**(21,324)**	(15,157)
Repayments for related party loan	28(c)	**22**	1,578
Receipts from loan receivable		**14,752**	14,298
Payment for loan		**-**	(36,754)
Advances for related party loan		**-**	(1,500)
Net cash inflow (outflow) from financing activities		**235,688**	(11,131)
Net increase in cash and cash equivalents		**8,555**	60,851
Cash and cash equivalents at the beginning of the financial year		**178,125**	116,215
Effects of exchange rate changes on cash and cash equivalents		**4,090**	1,059
Cash and cash equivalents at end of period	24	**190,770**	178,125

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the Consolidated Entity consisting of Webjet Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Webjet Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Webjet Limited Consolidated Entity also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost basis, except for the following:

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) - measured at fair value

(iii) New and amended standards adopted by the group

The group has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2017:

- AASB 2014-1 *Amendments to Australian Accounting Standards (*including Part A*: Annual Improvements 2010-2012 and 2011-2013 Cycles)*

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

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Consolidated Entity. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	Management is currently undertaking an assessment of the standard against its financial assets & liabilities with respect to derivative financial instruments; as well as considering the impact in determining the fair value of both doubtful debt and breakage provisions in the B2B business segment. At this stage, management do not anticipate the change in adopting an expected credit loss model in calculating the provisioning over both debtor and creditor balances to be material, as changes in provisioning levels are likely to offset in the consolidated statement of profit and loss. The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. From the preliminary assessment performed to date, management are of the view that the group's current hedge relationships, both hedges of net investment of foreign operations and cashflow hedges, would qualify as continuing hedges upon the adoption of AASB 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships. The standard introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.	1 July 2018

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	Based on a preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019. Preliminary assessment of the B2C segment commenced from June 2017; whereby management have undertaken the following activities: - Engaged with external consultants to review a sample of supplier contracts under the scope of IFRS 15 - Updated contractual terms and conditions with certain customer and supplier contracts following review with external advisors - Performed a high level assessment of a sample of contracts against a sliding scale indicator of principal vs agent characteristics in determining whether the company acts as principal or agent for particular travel booking components. Preliminary assessment of the B2B segment commenced in 2H18 after the regional restructure of the group, where management performed a review of the terms and conditions of key customer and supplier agreements across the B2B group following consultation with external advisors. From the activities performed to date, management do not expect any material changes to the core revenue streams of both B2B and B2C in providing on-line travel booking services recognised in the financial statements, in relation to timing of revenue recognition on satisfying performance obligations (at either check in or travel date). In regards to presentation and disclosure requirements, management expect an increase in note disclosures in the interim and full year reports.	1 July 2018

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
AASB 16 *Leases*	Requires lessees to recognise assets and liabilities for all leases with a term greater than 12 months on the balance sheet.	AASB 16 is effective for the years commencing 1 July 2019. The standard requires operating leases to be recognised on balance sheet. Broadly, this standard will require the calculations and recognition of a right-of-use asset and corresponding liability based on the discounted value of committed lease payments. These payments, currently expense within EBIT, will be replaced by the straight-line amortisation of the right-of-use asset and will reduce the lease liability. As the lease liability will be carried at present value, an interest expense will arise over the period of the lease. The principle component of lease payments will be reclassified in the statement of cash flows from operating to financing activities. The new requirements are not expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements.	Mandatory for financial years commencing on or after 1 January 2019, but is available for early adoption. Expected date of adoption by the group: 1 July 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Principles of consolidation

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity, refer to Note 1 (h).

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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Associates

Associates are all entities over which the Consolidated Entity has significant influence but not control or joint control. This is generally the case where the Consolidated Entity holds of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see below (iii)), after initially being recognised at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Consolidated Entity's share of the post-acquisition profits or losses of the investee in profit or loss, and the Consolidated Entity's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Consolidated Entity's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

(iv) Changes in ownership interests

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

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

(c) 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.

(d) Foreign currency translation

(i) Functional and presentation currency

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

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances

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

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

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

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each consolidated statement of profit or loss and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

(e) Revenue recognition

The Group has concluded that it acts as both agent and principal for certain revenue transactions in providing online travel booking services. Revenue from travel bookings where the Company is acting as agent for certain contracts 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. Revenue from travel bookings where the Company is acting as principal is recognised on date of travel and presented in the consolidated income statement and cash flow statement on a gross basis.

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 Consolidated Entity 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 Consolidated Entity's activities as described below. The Consolidated Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The specific accounting policies for the group’s main types of revenue are explained below:

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(i) Revenue from travel bookings

Transactions as agent
Revenue from bookings fees on travel bookings as principal 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.

Transaction as principal
Revenue from sale of travel bookings is recognised on date of travel. Deposits received in advance from customers to secure bookings are deferred on the balance sheet until date of travel where the amounts can be recognised as revenue in the consolidated statement of profit and loss. These are presented on a gross basis in the consolidated statement of profit and loss and the consolidated statement of cash flows.

(ii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Consolidated Entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(f) Income tax

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

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

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

Webjet Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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

(g) Leases

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.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Consolidated Entity is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred 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.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Consolidated Entity recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1 Summary of significant accounting policies (continued)

(h) Business combinations (continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, other than goodwill, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating units). Goodwill is assessed for impairment at the operating segment level. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 8 for further information about the Consolidated Entity's accounting for trade receivables and note 26(d) for a description of the Consolidated Entity's impairment policies.

(l) Investments and other financial assets

(i) Classification

The Consolidated Entity classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note for details about each type of financial asset.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Consolidated Entity commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

1 Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iii) Measurement

At initial recognition, the Consolidated Entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' - in profit or loss within other income or other expenses
- for available for sale financial assets that are monetary securities denominated in a foreign currency - translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available for sale - in other comprehensive income.

(iv) Impairment

The Consolidated Entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

1 Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(v) Income recognition

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Consolidated Entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(m) Derivatives and hedging activities

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

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 26(f). Movements in the hedging reserve in shareholder's equity are shown in note 17(b). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge

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 and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

1 Summary of significant accounting policies (continued)

(m) Derivatives and hedging activities (continued)

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(n) Property, plant and equipment

Each class of property, plant and equipment is carried at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciable amount of all classes of property, plant and equipment 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 depreciation rate used for each class of depreciable asset is:

- Office furniture and equipment 15%
- Computer equipment and software 40%
- Leasehold improvements 20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(o) Loan receivable - Thomas Cook

The fixed management fee owed to the Company under the Thomas Cook arrangement is classified as loan receivable. Fixed management fees are payable over the transitional period with the last payment due in December 2018. This amount has been classified as current in the consolidated balance sheet.

(p) 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.

1 Summary of significant accounting policies (continued)

(p) Intangible assets (continued)

(i) Goodwill

Goodwill is measured as described in note 1(h). 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. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 3).

(ii) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iv) Research and development

Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

1 Summary of significant accounting policies (continued)

(r) Borrowings (continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 reporting period.

(s) Provisions

Provisions are recognised when the Consolidated Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

(i) 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.

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(u) Share-based payments

Senior KMP of the Group receive remuneration in the form of share-based payments, whereby senior KMP render services as consideration for equity instruments (equity settled transactions). The cost of equity settled transactions is determined by the fair value at grant date using an appropriate valuation model, further details of which are provided in note 27 of this report. That cost is recognised in option expense, together with a corresponding increase in equity (equity-settled employee benefits reserve), over the period in which the service and performance conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

(v) Contributed equity

Ordinary shares are classified as equity.

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

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners 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 and excluding treasury shares.

(ii) 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(x) Rounding of amounts

The Company is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2 Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

(a) Significant estimates and judgements

(i) Provision for doubtful debts (note 8)

At 30 June 2018, the Group has provisions for doubtful debts amounting to $6.6m, representing 2.5% of total trade debtors. In estimating the quantum and nature of the doubtful debt provision, management performs an impairment assessment on individual debtors that are past due, on at least a monthly basis, to determine whether any impairment exist. Where individual invoices are deemed not to be collectable, a specific provision is raised for the amount in dispute. Management also review debtors on a segment level to determine whether a general provision is required to be raised. Key factors that are considered in determining an appropriate level of provisioning include debtor days, seasonality, customer repayment history, geographical regions and size of overall debtor book.

2 Critical estimates, judgements and errors (continued)

(a) Significant estimates and judgements (continued)

(ii) Revenue recognition (note 4)

The Group has concluded that it acts as both agent and principal in providing online travel booking services. Refer to note 4 for disclosure of principal and agent revenues for the period.

The JacTravel business operates as principal for all its online travel booking services and presents revenues and cost of sales on a gross basis in the statement of consolidated income statement. Revenue is recognised on travel date, consistent with the broader B2B businesses.

Following a review with the company's external advisors, changes were made to the contractual terms and conditions with its customer and supplier arrangements. As a result, Webjet Exclusives acts as agent for all new bookings made from 1 July 2017. In the current reporting period, Webjet Exclusives has also recognised revenue as principal from bookings made prior to these changes.

Override commissions
Revenue derived from override commission are accrued monthly and are based on booking volumes achieved at the respective override rate in accordance with third party supplier agreements. Recoverability of override accruals are assessed as part of the monthly review of aged trade receivables.

(iii) Identifiable intangible assets arising from JacTravel business combination

In finalising the acquisition accounting for JacTravel, the Group has adjusted the fair values of certain identifiable intangible assets and tangible assets, overall resulting in an increase to the goodwill from the provisional values adopted in the interim report. The key change to the fair value of intangible assets was a decrease in the value of the IT software platform (including associated decrease in deferred tax liability), with an equal offsetting increase to goodwill. Management adopted the revised fair value on the basis that the IT platform is closer aligned to its replacement cost.

3 Segment information

(a) Description of segments and principal activities

Management has determined the operating segments and the segment information disclosed is 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).

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 statement of profit and loss.

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.

(b) Segment results

The segment information provided to the Managing Director for the reportable segments for the year ended 30 June is as follows:

3 Segment information (continued)

(b) Segment results (continued)

	B2C Travel $'000	B2B Travel $'000	Corporate $'000	Total $'000
2018				
Revenues from travel bookings	183,827	567,956	-	**751,783**
Interest revenue / (expense)	(1,708)	(3,428)	(552)	**(5,688)**
Depreciation & amortisation	(4,580)	(17,434)	-	**(22,014)**
Profit before tax & corporate costs	65,690	6,305	(13,430)	**58,565**
Income tax expense	(16,238)	(853)	-	**(17,091)**
Profit after tax	49,452	5,452	(13,430)	**41,474**
EBITDA	71,977	27,167	(12,878)	**86,266**

Corporate includes one-off items relating to the JacTravel acquisition. For details refer to Director's report note "Non-IFRS information".

	B2C Travel $'000	One-offs $'000	Total B2C $'000	B2B Travel $'000	Total $'000
2017					
Revenues from travel bookings	168,248	(5,504)	162,744	36,475	199,219
Interest revenue / (expense)	684	-	684	(678)	6
Depreciation & amortisation & impairments	(3,816)	(1,319)	(5,135)	(3,088)	(8,223)
Profit before tax & corporate costs	54,988	17,617	72,605	(3,415)	69,190
Corporate costs	-	-	-	-	(7,594)
Income tax expense	(10,362)	1,721	(8,641)	(533)	(9,174)
Profit after tax	44,626	19,338	63,964	(3,948)	52,422
EBITDA (excluding corporate costs)	58,120	18,936	77,056	351	77,407

One-offs reported in the prior year are detailed in the Director's report note "Non-IFRS information".

	2018			2017		
	B2C Travel	B2B Travel	Total	B2C Travel	B2B Travel	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Segment assets	288,955	794,632	1,083,587	311,496	181,323	492,819
Segment liabilities	(292,854)	(347,909)	(640,763)	174,761	101,720	276,481

3 Segment information (continued)

(c) Other segment information

Webjet Limited is domiciled in Australia. For the purposes of this disclosure, revenue is determined by the location of the customer. From January 2018, the B2B (WebBeds) segment was restructured around geographical region rather than brands. As such revenue from travel bookings has been presented by the region where customer (B2C) or wholesaler (B2B) is located. Comparatives have been restated accordingly.

	B2B Revenue		B2C Revenue	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Australia	**-**	-	**152,120**	125,225
New Zealand	**-**	-	**31,707**	30,513
Europe	**531,117**	21,486	**-**	-
All other countries	**36,839**	14,989	**-**	7,006
Total revenue from travel bookings	**567,956**	36,475	**183,827**	162,744

4 Revenue

The Consolidated Entity derives the following types of revenue:

	Consolidated entity Year ended	
Revenue	**30 June 2018 $'000**	30 June 2017 $'000
Revenue as principal	**525,647**	16,151
Revenue from travel bookings as agent	**226,136**	183,068
	751,783	199,219

The Group acquired JacTravel during the period. Revenue recognised as principal is derived from the JacTravel and Webjet Exclusives businesses as disclosed in note 2.

5 Other income

(a) Investment income

	Consolidated entity Year ended	
	30 June 2018 $'000	30 June 2017 $'000
Interest income	**1,003**	3,320

5 Other income (continued)

(b) Other income

	Notes	Consolidated entity Year ended 30 June 2018 $'000	30 June 2017 $'000
Net gain on disposal of subsidiaries	30	**-**	28,039
Management fee		**-**	3,000
Dividend income		**226**	142
Other income		**9,602**	4,477
		9,828	35,658

6 Income tax expense

(a) Income tax expense

	Consolidated entity Year ended 30 June 2018 $'000	30 June 2017 $'000
Current tax		
Current tax	**18,081**	7,213
Adjustments for current tax of prior periods	**(170)**	(474)
Total current tax expense	**17,911**	6,739
Deferred income tax		
Deferred tax	**207**	1,835
Adjustments for deferred tax of prior periods	**(1,027)**	600
Total deferred tax expense	**(820)**	2,435
Income tax expense	**17,091**	9,174

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated entity Year ended 30 June 2018 $'000	30 June 2017 $'000
Profit from continuing operations before income tax expense	**58,565**	61,595
Tax at the Australian tax rate of 30.0% (2017 - 30.0%)	**17,569**	18,479
Tax loss of foreign subsidiaries not recognised	**90**	2,451
Effect of income/expenses that are not assessable/deductible in determining taxable profit	**771**	(11,910)
Effect of utilised franking credits	**(60)**	(45)
Research and development tax credit	**-**	(150)
Deductible cash contribution to Employee Share Scheme	**(241)**	-
Difference in overseas tax rates	**324**	242
Adjustments for current tax of prior periods	**208**	(474)
Adjustments for deferred tax of prior periods	**(1,027)**	600
Other	**(283)**	(19)
Effect of utilised tax offsets	**(260)**	-
Income tax expense	**17,091**	9,174

6 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable (continued)

The tax rate used for the 2018 and 2017 reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Deferred tax balances

(i) Deferred tax assets

		Consolidated entity At	
	Notes	**30 June 2018 $'000**	30 June 2017 $'000
The balance comprises temporary differences attributable to:			
Tax losses		**720**	803
Employee benefits & provisions		**1,870**	1,317
Derivatives		**2,731**	-
Other		**72**	(548)
Intangibles & PPE		**822**	917
Expenses deductible over 5 years		**158**	298
Total deferred tax assets		**6,373**	2,787

(ii) Deferred tax liabilities

	Consolidated entity At	
	30 June 2018 $'000	30 June 2017 $'000
The balance comprises temporary differences attributable to:		
Intangible assets	**36,517**	12,218
Interest receivable	**93**	90
Other	**933**	831
Total deferred tax liabilities	**37,543**	13,139

6 Income tax expense (continued)

Deferred tax balances (continued)

(c) Movements in deferred taxes

Deferred tax asset	Tax losses $'000	Employee benefits $'000	Expenses deductible over 5 years $'000	Other $'000	Intangibles & PPE $'000	Total $'000
At 1 July 2016	1,335	1,118	628	793	980	4,854
(Charged)/credited						
- to profit or loss	-	178	(108)	(303)	-	(233)
- to other comprehensive income	-	-	-	-	-	-
- directly to equity	-	-	(168)	(99)	-	(267)
- acquired through business combination	-	-	-	-	-	-
- under/over provision	(137)	21	(54)	41	(63)	(192)
- disposal of subsidiaries	(395)	-	-	(980)	-	(1,375)
At 30 June 2017	803	1,317	298	(548)	917	2,787

Movements	Tax losses $'000	Derivatives $'000	Employee benefits $'000	Expenses deductible over 5 years $'000	Other $'000	Intangibles & PPE $'000	Total $'000
At 1 July 2017	803	-	1,317	298	(548)	917	2,787
(Charged) / credited							
- to profit or loss	-	-	591	(90)	(603)	11	(91)
- to other comprehensive income	-	2,731	-	-	(9)	(194)	2,528
- directly to equity	-	-	-	-	-	-	-
- acquired through business combination	-	-	-	-	190	-	190
- under/over provision	(83)	-	(38)	(50)	1,042	88	959
- disposal of subsidiaries	-	-	-	-	-	-	-
At 30 June 2018	720	2,731	1,870	158	72	822	6,373

Deferred tax liability	Intangible assets $'000	Interest receivable $'000	Other $'000	Total $'000
At 1 July 2016	10,820	121	380	11,321
Charged/(credited)				
- profit or loss	1,287	(31)	346	1,602
- to other comprehensive income	-	-	-	-
- directly to equity	-	-	(97)	(97)
- under/over provision	206	-	202	408
- acquired through business combination	-	-	-	-
- disposal of subsidiaries	(95)	-	-	(95)
At 30 June 2017	12,218	90	831	13,139

6 Income tax expense (continued)

Deferred tax balances (continued)

(c) Movements in deferred taxes (continued)

	Intangible assets $'000	Interest receivable $'000	Other $'000	Total $'000
Movements				
At 1 July 2017	12,218	90	831	13,139
Charged/(credited)				
- profit or loss	(558)	3	3	(552)
- to other comprehensive income	1,930	-	-	1,930
- under/over provision	(71)	-	99	28
- acquired through business combination	22,998	-	-	22,998
At 30 June 2018	36,517	93	933	37,543

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 are identified in note 1. 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.

7 Profit for the year

Profit for the year is determined after taking into account the following categories of expense.

	Notes	**30 June 2018 $'000**	30 June 2017 $'000
Depreciation, amortisation and impairment			
Depreciation	11	**3,110**	1,702
Amortisation	12	**18,904**	5,202
Impairment of associate		**-**	1,319
		22,014	8,223

7 Profit for the year (continued)

	Notes	30 June 2018 $'000	30 June 2017 $'000
Employee expenses			
Superannuation expense		**2,291**	1,909
Payroll tax		**3,458**	3,062
Incentives		**4,911**	6,317
Other employee benefits		**76,292**	45,456
Share based payment expense		**1,336**	1,133
		88,288	57,877
Other expenses			
Sundry expenses		**396**	2,065
Net foreign exchange losses		**2,219**	1,083
Other		**9,151**	6,218
		11,766	9,366
Operating lease expense		**3,877**	2,018

8 Trade and other receivables

	Consolidated entity At 30 June 2018 Total $'000	30 June 2017 Total $'000
Trade receivables	**267,601**	120,319
Provision for impairment of receivables (see note 26(d))	**(6,601)**	(2,947)
	261,000	117,372

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 - 90 days and therefore are all classified as current in the consolidated balance sheet.

Credit risk is managed by each business unit where aged debtors > $10,000 are individually reviewed on a monthly basis for both B2B and B2C customers. Management focus particularly on those that have aged greater than 6 months. Debts are written off once deemed to be non-recoverable. As at 30 June 2018, the provision for doubtful debts is $6.6m (2017: $2.9m).

(b) Age of trade receivables that are past due but not impaired

	Consolidated entity At 30 June 2018 $'000	30 June 2017 $'000
30 - 90 days	**73,276**	3,660
90 - 180 days	**7,493**	1,965
Greater than 180 days	**8,783**	1,551
Total	**89,552**	7,176

8 Trade and other receivables (continued)

(c) Movement in the allowance for doubtful debts

	Consolidated entity At 30 June 2018 $'000	30 June 2017 $'000
Balance at the beginning of the year	**(2,947)**	(767)
Acquired through business combination	**(4,722)**	-
Provision charge for the year	**(1,082)**	(2,291)
Provision utilised	**2,964**	98
Foreign exchange	**(814)**	13
Balance at the end of the year	**(6,601)**	(2,947)

9 Other financial assets

	Consolidated entity At 30 June 2018 $'000	30 June 2017 $'000
Non-current		
Other financial assets (i)	**255**	255

(i) 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 strategic decision making of the business is not under the influence of the Consolidated Entity.

10 Other assets

	Consolidated entity At 30 June 2018 $'000	30 June 2017 $'000
Current		
Prepayments	**5,976**	16,214
Margin deposits	**3,787**	3,132
Other current assets	**1,530**	1,118
Total	**11,293**	20,464

11 Property, plant and equipment

Consolidated entity	Land & building $'000	Software $'000	Office equipment $'000	Furniture & fittings $'000	Leasehold improvements $'000	Computer equipment $'000	Assets under construction $'000	Total $'000
At 1 July 2017								
Cost or fair value	3,989	3,385	2,194	691	2,140	4,425	3,498	20,322
Accumulated depreciation	(333)	(2,435)	(1,160)	(353)	(1,516)	(2,836)	-	(8,633)
Net book amount	3,656	950	1,034	338	624	1,589	3,498	11,689
Year ended 30 June 2018								
Opening net book amount	3,656	950	1,034	338	624	1,589	3,498	11,689
Exchange differences	195	(39)	70	65	70	136	301	798
Additions	55	211	305	420	3,261	2,037	3,958	10,247
Transfers	2,887	4,240	277	180	-	480	(6,855)	1,209
Depreciation charge	(84)	(542)	(219)	(192)	(294)	(1,779)	-	(3,110)
Disposals	-	-	-	-	(240)	-	(1)	(241)
Additions through acquisition	-	-	-	297	185	1,218	-	1,700
Closing net book amount	6,709	4,820	1,467	1,108	3,606	3,681	901	22,292
At 30 June 2018								
Cost	7,149	7,829	2,920	2,592	5,207	10,186	901	36,784
Accumulated depreciation	(440)	(3,009)	(1,453)	(1,484)	(1,601)	(6,505)	-	(14,492)
Net book amount	6,709	4,820	1,467	1,108	3,606	3,681	901	22,292

11 Property, plant and equipment (continued)

Consolidated entity	Land & building $'000	Software $'000	Office equipment $'000	Furniture & fittings $'000	Leasehold improvements $'000	Computer equipment $'000	Assets under construction $'000	Total $'000
At 1 July 2016								
Cost or fair value	4,012	7,273	2,162	770	2,024	3,931	383	20,555
Accumulated depreciation	(275)	(3,211)	(1,007)	(408)	(1,527)	(2,369)	-	(8,797)
Net book amount	3,737	4,062	1,155	362	497	1,562	383	11,758
Year ended 30 June 2017								
Opening net book amount	3,737	4,062	1,155	362	497	1,562	383	11,758
Exchange differences	(23)	(80)	(3)	(9)	(1)	(57)	(12)	(185)
Additions	-	424	77	76	449	953	3,165	5,144
Transfers	-	(3,041)	-	-	-	38	(38)	(3,041)
Depreciation charge	(58)	(389)	(186)	(72)	(281)	(716)	-	(1,702)
Disposal of subsidiaries	-	(26)	(9)	(19)	(40)	(191)	-	(285)
Closing net book amount	3,656	950	1,034	338	624	1,589	3,498	11,689
At 30 June 2017								
Cost or fair value	3,989	3,385	2,194	691	2,140	4,425	3,498	20,322
Accumulated depreciation	(333)	(2,435)	(1,160)	(353)	(1,516)	(2,836)	-	(8,633)
Net book amount	3,656	950	1,034	338	624	1,589	3,498	11,689

12 Intangible assets

Consolidated entity Non-current assets	Goodwill $'000	Trademarks $'000	Capitalised development $'000	Other $'000	Total $'000
At 30 June 2017					
Cost	73,798	18,453	40,355	24,052	156,658
Accumulation amortisation and impairment	-	-	(12,556)	(4,674)	(17,230)
Net book amount	73,798	18,453	27,799	19,378	139,428
Year ended 30 June 2018					
Opening net book amount	73,798	18,453	27,799	19,378	139,428
Additions through acquisition	271,721	9,437	29,286	98,110	408,554
Additions	-	-	17,740	409	18,149
Exchange differences	24,655	250	3,082	9,425	37,412
Amortisation charge	-	(2,850)	(8,595)	(7,459)	(18,904)
Disposal/Write offs	-	-	(10)	(254)	(264)
Transfers	-	-	(25)	(1,184)	(1,209)
Closing net book amount	370,174	25,290	69,277	118,425	583,166
At 30 June 2018					
Cost	370,174	28,165	101,502	127,414	627,255
Accumulated amortisation	-	(2,875)	(32,225)	(8,989)	(44,089)
Net book amount	370,174	25,290	69,277	118,425	583,166

Consolidated entity Non-Current assets	Goodwill $'000	Trademarks $'000	Capitalised development $'000	Other $'000	Total $'000
At 1 July 2016					
Cost	97,770	26,055	27,742	20,587	172,154
Accumulation amortisation and impairment	-	-	(8,230)	(2,974)	(11,204)
Net book amount	97,770	26,055	19,512	17,613	160,950
Year ended 30 June 2017					
Opening net book amount	97,770	26,055	19,512	17,613	160,950
Additions	-	-	8,919	3,423	12,342
Exchange differences	(305)	(107)	(157)	28	(541)
Amortisation charge	-	-	(3,849)	(1,353)	(5,202)
Transfers	-	-	3,374	(333)	3,041
Disposal of subsidiary	(23,667)	(7,495)	-	-	(31,162)
Closing net book amount	73,798	18,453	27,799	19,378	139,428
At 30 June 2017					
Cost	73,798	18,453	40,355	24,052	156,658
Accumulation amortisation and impairment	-	-	(12,556)	(4,674)	(17,230)
Net book amount	73,798	18,453	27,799	19,378	139,428

12 Intangible assets (continued)

(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.

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 Ancilliary Systems is amortised over a period of 5 to 10 years.

(ii) Trademarks

Trademarks have been acquired through the acquisition of the JacTravel, Online Republic, Sunhotels and Zuji businesses. All trademarks are carried at cost less accumulated impairment losses. The intangible assets relating to the Online Republic, Sunhotels and Zuji acquisitions 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. The recent acquisition of JacTravel trademarks have been determined to have a finite life of 3 years and is amortised on a straight-lined basis. For impairment purposes the trademarks are tested at an overall cash generating unit level.

In the prior period, the Zuji trademarks were disposed of in connection with the sale of the Zuji subsidiaries.

(iii) Other identifiable intangibles

The other identifiable intangible assets acquired through the acquisition of JacTravel, Online Republic and Sunhotels group of entities include supplier agreements, customer contracts/relationships, operating rights, customer lists, non-compete agreements and domain names.

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 - 15 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 Segment information note 3 on page 26).

In August 2017, the Group recognised goodwill arising from the acquisition of JacTravel. Refer to note 29 for further details.

In the prior period, goodwill attributed to the Zuji acquisition was disposed of in relation to the sale of the Zuji subsidiaries.

(v) Impairment tests for goodwill

Goodwill is monitored by management at the operating segment level as disclosed in note 3. 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:

2018	**B2C Travel $'000**	**B2B Travel $'000**	**Total $'000**
Carrying amount of goodwill	56,100	314,074	370,174
Carrying amount of trademarks	16,830	8,460	25,290
	72,930	322,534	395,464

12 Intangible assets (continued)

2017	B2C Travel $'000	B2B Travel $'000	Total $'000
Carrying amount of goodwill	58,433	15,365	73,798
Carrying amount of trademarks	17,525	928	18,453
	75,958	16,293	92,251

(vi) Significant estimates: key assumptions used 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 ending 30 June 2019 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 and EBITDA.

B2C
Management's key assumptions used in the value in use calculation are bookings growth of more than 3 times the underlying market growth rate, terminal growth rate of 2.5% and post-tax discount rate of 10.5%.

B2B
Management's key assumptions used in the value-in-use calculation are bookings growth rate higher than the underlying market growth rate, terminal growth rate of 2.0% and post-tax discount rate of 10.5%.

Management based the value in use calculation for both CGUs on past performance and expectations for the future. The terminal growth rates used do not exceed long-term average growth rates for the travel industry. The discount rate used reflects externally sourced inputs and specific risks relating to the B2C & B2B travel segment and the countries in which it operates. Reasonably possible changes to these assumptions would not have an impact on the recoverable amount.

13 Trade and other payables

	Consolidated entity At	
	30 June 2018 $'000	30 June 2017 $'000
Current liabilities		
Trade payables	**364,080**	153,528
Other payables	**86,634**	31,065
	450,714	184,593

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

14 Borrowings

	Consolidated entity At					
	30 June 2018			30 June 2017		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Bank loans	**32,212**	**90,503**	**122,715**	13,170	36,300	49,470
Total borrowings	**32,212**	**90,503**	**122,715**	13,170	36,300	49,470

In August 2017, the group entered into three 5-year unsecured loans amounting to total A$100,000,000, provided by NAB, HSBC and ANZ. The proceeds of these loans were to fund the acquisition of JacTravel Group. These loans bear interest at variable market rates and have quarterly principal and interest repayments. Current portion of borrowings represents the next four scheduled principal repayments amounting to A$20,000,000.

On 9 September 2016, the Group entered into a 5-year unsecured loan amounting to USD $27,554,100. The proceeds of the loan were used to fund the acquisition of direct hotel contracts under the Thomas Cook Agreement. In December 2017, the loan was converted to EUR of which the USD balance was repaid in full and an equivalent EUR amount was drawn. The amount outstanding as at 30 June 2018 was EUR 15,547,242. Current portion of the borrowings represents the next two scheduled repayments of EUR 2,139,437 and EUR 3,056,338 due 20 December 2018 and 20 June 2019 respectively.

In 2016 the Group obtained a USD $10,000,000 unsecured working capital facility with HSBC. As at 30 June 2018, the facility has been repaid in full (30 June 2017: AUD equivalent $3,251,700). The currency of the facility changed to EUR during the year.

In 2014 the Group obtained an 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 of the loan were used to fund the Sunhotels acquisition. There are bi-annually scheduled repayments of A$2,000,000 due on 14 July 2018 and 13 January 2019 respectively.

Reconciliation of financing cashflows	**Opening balance 1 July 2017 $'000**	**Cashflows $'000**	**Non-cash (FX) $'000**	**Closing balance 30 June 2018 $'000**
Current borrowings	13,170	18,725	317	32,212
Non-current borrowings	36,300	53,311	892	90,503
Total borrowings	**49,470**	**72,036**	**1,209**	**122,715**

14 Borrowings (continued)

(i) Compliance with loan covenants

The loan agreement used to fund the Jac Travel, Sunhotels acquisition and Thomas Cook arrangement enforces the following covenants:
a. Operating leverage ratio must not exceed 2.5:1;
b. Interest cover ratio must not be lower than 4:1 for the term of the loans; and
c. Total assets and EBITDA of the guarantor group represents at least 85% of the total Group's assets and EBITDA.

Webjet Limited has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods.

15 Provisions

		Consolidated entity At					
		30 June 2018			30 June 2017		
	Notes	**Current $'000**	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits (i)		**3,241**	**1,469**	**4,710**	2,549	1,067	3,616
Gift vouchers (i)		**1,379**	**-**	**1,379**	1,310	-	1,310
Make good provision (i)		**-**	**222**	**222**	-	253	253
Other provisions		**175**	**-**	**175**	140	-	140
		4,795	**1,691**	**6,486**	3,999	1,320	5,319

(i) Information about individual provisions and significant estimates

Employee benefits

The current provision for employee benefits for the Consolidated Entity includes $462,111 of vested long service leave entitlements accrued but not expected to be taken within 12 months (2017: $541,010).

Gift vouchers

The Consolidated Entity provides for the value of gift vouchers sold or issued to customers but not yet redeemed or expired.

Make good provision

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.

(ii) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated entity 2018	**Gift vouchers provision $'000**	**Make good provision $'000**	**Other $'000**	**Total $'000**
Carrying amount at the start of the year	1,310	253	140	1,703
Additional provisions recognised	3,458	22	35	3,515
Amounts used during the year	(3,389)	(53)	-	(3,442)
Carrying amount at end of period	1,379	222	175	1,776

15 Provisions (continued)

Consolidated entity 2017	Gift vouchers provision $'000	Make good provision $'000	Other $'000	Total $'000
Carrying amount at the start of the year	1,610	328	70	2,008
Additional provisions recognised	2,887	-	70	2,957
Charged/(credited) to profit or loss	(3,167)	-	-	(3,167)
Foreign exchange differences	(2)	(12)	-	(14)
Disposal of subsidiary	(18)	(63)	-	(81)
Carrying amount at end of period	1,310	253	140	1,703

16 Other liabilities

	Consolidated entity At					
	30 June 2018			30 June 2017		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Deferred revenue	**7,804**	**881**	**8,685**	22,645	-	22,645
Lease incentive liability	**225**	**-**	**225**	129	-	129
	8,029	**881**	**8,910**	22,774	-	22,774

In the current period, 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.

In the prior period, deferred revenue primarily relates to revenue from travel bookings where travel occurs post balance date for transactions where the Group is acting as principal.

17 Equity

(a) Share capital

	Notes	**30 June 2018 Shares**	30 June 2017 Shares	**30 June 2018 $'000**	30 June 2017 $'000
Ordinary shares					
Ordinary shares - fully paid	17(a)(i)	**118,473,901**	98,110,166	**329,245**	136,453
Total share capital		**118,473,901**	98,110,166	**329,245**	136,453

(i) Movements in ordinary share:

17 Equity (continued)

(a) Share capital (continued)

Details	Notes	Number of shares (thousands)	$'000
Opening balance 1 July 2017		98,110	136,453
Transfer from share based payment reserve	17(a)(iii)	-	931
Exercise of options - Proceeds received	17(a)(ii)	1,250	6,175
Acquisition of subsidiary	29	2,625	28,718
Rights issue	17(a)(iv)	16,403	164,027
Issue of shares - Employee Share Plan Trust		86	-
Foreign exchange impact of shares issued for acquisition		-	(403)
Less: Transactions costs arising on share issue		-	(6,656)
Balance 30 June 2018		118,474	329,245

Details	Notes	Number of shares (thousands)	$'000
Opening balance 1 July 2016		91,555	101,690
Transfer from share based payment reserve	17(a)(iii)	-	226
Exercise of options - Proceeds received	17(a)(ii)	1,000	4,280
Rights issue	17(a)(iv)	5,544	31,046
Issue of shares - Employee Share Plan Trust		11	-
Less: Transactions costs arising on share issue		-	(789)
Balance 30 June 2017		98,110	136,453

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. Further details of the employee share option plan are contained in Note 27 to the financial statements.

(ii) Options

Information relating to the Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 27.

(iii) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 27.

(iv) Rights issue

On 2 August 2017 the Company invited its shareholders to subscribe to a rights issue of 16,402,747 ordinary shares at an issue price of $10.00 per share on the basis of 1 share for every 6 fully or partly paid ordinary shares held, with such shares to be issued on, and rank for dividends after, 14 August 2017 for institutional investors and 30 August 2017 for retail investors. The issue was fully subscribed.

(v) Acquisition of subsidiary

During the year, the Group issued 2,624,926 ordinary shares at value of $10.94 per share to the former shareholders of JacTravel group as part of the consideration paid to acquire the business. Refer to Note 29(a) for further details.

(b) Other reserves

The following table shows a breakdown of the balance sheet line item ‘other reserves’ and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

17 Equity (continued)

(b) Other reserves (continued)

	Consolidated entity At 30 June 2018 $'000	30 June 2017 $'000
Available-for-sale financial assets	**55**	55
Cash flow hedges	**(5,161)**	(1,111)
Share-based payments	**1,872**	1,467
Foreign currency translation	**15,256**	(1,933)
	12,022	(1,522)

(i) Nature and purpose of other reserves

Available-for-sale financial assets

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

Cash flow hedges

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income, as described in note 1(m). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Share-based payments

The equity-settled employee benefits reserve arises on the grant of share options and performance rights to directors and executives under the Employee Share Option and Share Schemes. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

Foreign currency translation

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.

18 Earnings per share

(a) Basic earnings per share

	Consolidated entity Year ended 30 June 2018 Cents	30 June 2017 Cents
From continuing operations attributable to the ordinary equity holders of the company	**36.02**	53.79
Total basic earnings per share attributable to the ordinary equity holders of the Company	**36.02**	53.79

18 Earnings per share (continued)

(a) Basic earnings per share (continued)

(b) Diluted earnings per share

	Consolidated entity Year ended 30 June 2018 Cents	30 June 2017 Cents
From continuing operations attributable to the ordinary equity holders of the company	**35.61**	52.87
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**35.61**	52.87

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

	Consolidated entity Year ended 30 June 2018 $'000	30 June 2017 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**41,474**	52,422
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company		
Used in calculating basic earnings per share	**41,474**	52,422

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

	Consolidated entity Year ended 2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**115,122,603**	97,457,604
Adjustments for calculation of diluted earnings per share:		
Employee options and performance rights	**1,343,453**	1,689,901
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**116,466,056**	99,147,505

(e) Information concerning the classification of securities

(i) Options

Options granted to the Managing Director under the Employee Share Option Plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required hurdles would have been met based on the company's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

19 Dividends

(a) Ordinary shares

Recognised amounts	Consolidated entity Year ended 30 June 2018 $'000	30 June 2017 $'000
Final dividend for the prior year	**11,818**	7,814
Interim dividend for current year	**9,506**	7,343
Total dividends paid	**21,324**	15,157

Final dividend for the year ended 30 June 2017 of 10.0 cents (2016: 8.0 cents) per fully paid share paid on 12 October 2017 (2016: 13 October 2016). An interim dividend for the year ended 30 June 2018 of 8.0 cents (2017: 7.5 cents) per fully paid ordinary share was paid on 18 April 2018 (2017: 14 April 2017)

(ii) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since period end the Directors have declared a final dividend of 12.0 cents per fully paid ordinary share (2017: 10.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 11 October 2018 out of retained earnings at 30 June 2018, but not recognised as a liability at period end, is $14.2m.

(iii) Franking credits

	Consolidated entity Year ended 2018 $'000	2017 $'000
Adjusted franking account balance	**7,900**	7,300
Impact on franking account balance of dividends not recognised	**(6,093)**	(5,064)
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2017: 30%)	**1,807**	2,236

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.

20 Contingent liabilities

At 30 June 2018, the Consolidated Entity had bank guarantee facilities amounting to $27.2m (30 June 2017: $16.0m).

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

21 Commitments

(a) Non-cancellable operating leases

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.

21 Commitments (continued)

(a) Non-cancellable operating leases (continued)

	Consolidated entity At 30 June 2018 $'000	30 June 2017 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**3,508**	1,716
Later than one year but not later than five years	**10,532**	7,685
Later than five years	**192**	1,642
	14,232	11,043

22 Interests in other entities

(a) Material subsidiaries

The Consolidated Entity's principal subsidiaries at 30 June 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Consolidated Entity, and the proportion of ownership interests held equals the voting rights held by the Consolidated Entity. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group 2018 %	2017 %	Principal activities
Webjet Marketing Pty Ltd	Australia	**100.0**	100.0	Online travel booking service
Zuji Pty Limited	Australia	**100.0**	100.0	Online travel booking service
Webjet USA Holdings Inc (1)	United States of America	**-**	100.0	Holding Company
Webjet Marketing NZ Pty Limited	New Zealand	**100.0**	100.0	Online travel booking service
Webjet International Limited	Hong Kong	**100.0**	100.0	Holding Company
FitRuums Pte Ltd	Singapore	**100.0**	100.0	Holding Company
WebBeds Holding Co Limited	Hong Kong	**100.0**	100.0	Holding Company
SunHotels Ltd	United Kingdom	**100.0**	100.0	Online travel booking service
SunHotels AG (1)	Liechtenstein	**-**	100.0	Online travel booking service
SunHotels Mundo	Spain	**100.0**	100.0	Online travel booking service
Zleeping Ltd (1)	United Kingdom	**-**	100.0	Online travel booking service
Zleeping AG (1)	Liechtenstein	**-**	100.0	Online travel booking service
Fyrkant Ltd	United Kingdom	**100.0**	100.0	Online travel booking service
Busy Bee S.L	Spain	**100.0**	100.0	Online travel booking service
Incoming Ltd	United Kingdom	**100.0**	100.0	Online travel booking service

22 Interests in other entities (continued)

(a) Material subsidiaries (continued)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group 2018 %	2017 %	Principal activities
Eventholiday AG (1)	Liechtenstein	-	100.0	Online travel booking service
WebBeds FZ LLC	Dubai	100.0	100.0	Online travel booking service
WebBeds LLC	United States of America	100.0	100.0	Online travel booking service
SunHotels France	France	100.0	100.0	Online travel booking service
Online Republic Group Limited	New Zealand	100.0	100.0	Holding Company
Online Republic Pty Ltd	Australia	100.0	100.0	Online travel booking services
Online Republic Group Limited (UK)	UK	100.0	100.0	Online travel booking services
WebBeds Limited	UK	100.0	100.0	Online travel booking services
Earlybird (Shenzen) Limited	China	100.0	100.0	Online travel bookings
JAC Travel Scotland Limited	UK	100.0	-	Non trading company
JAC Travel Tourism LLC	United Arab Emirates	100.0	-	Online travel booking services
Flame S.R.L.	Romania	100.0	-	Online travel booking services
JAC Travel China Limited	UK	100.0	-	Non trading company
TotalStay Limited	UK	100.0	-	Online travel booking services
JAC Group of Companies Limited	UK	100.0	-	Holding Company
JAC Travel Limited	UK	100.0	-	Online travel booking services
JAC Travel Inc	USA	100.0	-	Non trading company
JAC Group (Holdings) Limited	UK	100.0	-	Holding Company
Exclusively Hotels Limited	UK	100.0	-	Non trading company
TotalStay Holdings Limited	UK	100.0	-	Holding Company
Jac Travel Group Acquisitions Limited	UK	100.0	-	Holding Company
Jac Travel Group Financing Limited	UK	100.0	-	Holding Company
Jac Travel Group Investments Limited	UK	100.0	-	Holding Company
Jac Travel Group (Holdings) Limited	UK	100.0	-	Holding Company

(1) Companies were liquidated during the year.

23 Deed of cross guarantee

Webjet Limited, Webjet Marketing Pty Ltd and Zuji Pty Limited are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Legislative Instrument 2016/785 (as amended) issued by the Australian Securities and Investments Commission.

23 Deed of cross guarantee (continued)

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Legislative Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Webjet Limited, they also represent the 'extended closed group'.

Set out below is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2018 of the closed group consisting of Webjet Limited, Webjet Marketing Pty Ltd and Zuji Pty Limited.

	30 June 2018 $'000	30 June 2017 $'000
Consolidated statement of profit or loss		
Revenue	**148,027**	105,572
Investment income	**3,071**	4,532
Other gains and losses	**13,539**	53,573
Cost of providing travel services	**(13,840)**	(13,625)
Employee benefits expense	**(18,629)**	(18,019)
Depreciation and amortisation expense	**(3,958)**	(2,967)
Marketing expenses	**(33,920)**	(29,478)
Operating costs	**(27,218)**	(22,727)
Technology expenses	**(6,705)**	(6,689)
Administrative expenses	**(2,549)**	(719)
Finance costs	**(3,148)**	(1,384)
Business acquisition costs	**(1,147)**	-
Other expenses	**(3,672)**	(7,564)
Profit before income tax	**49,851**	60,505
Income tax expense	**(13,979)**	(4,919)
Profit / (loss) for the period	**35,872**	55,586

	30 June 2018 $'000	30 June 2017 $'000
Consolidated statement of comprehensive income		
Profit for the period	**35,872**	55,586
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in fair value of cross currency interest rate swaps	**6,291**	(650)
Other comprehensive income for the period, net of tax	**6,291**	(650)
Total comprehensive income for the period	**42,163**	54,936

23 Deed of cross guarantee (continued)

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings (continued)

	30 June 2018 $'000	30 June 2017 $'000
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**53,723**	13,297
Profit for the year	**35,872**	55,583
Dividends provided for or paid	**(21,324)**	(15,157)
Retained earnings at the end of the financial year	**68,271**	53,723

23 Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2018 of the closed group consisting of Webjet Limited, Webjet Marketing Pty Ltd and Zuji Pty Limited.

	30 June 2018 $'000	30 June 2017 $'000
Current assets		
Cash and cash equivalents	**57,030**	101,073
Trade and other receivables	**51,199**	40,468
Other assets	**3,047**	12,966
Total current assets	**111,276**	154,507
Non-current assets		
Investments in associates	**387,527**	47,192
Other financial assets	**255**	255
Property, plant and equipment	**3,150**	2,072
Deferred tax assets	**6,071**	2,576
Intangible assets	**25,765**	22,628
Loans to subsidiaries	**82,182**	85,341
Total non-current assets	**504,950**	160,064
Total assets	**616,226**	314,571
Current liabilities		
Trade and other payables	**74,636**	51,282
Borrowings	**32,212**	9,918
Current tax liabilities/(asset)	**7,900**	(2,645)
Provision	**2,966**	2,851
Other liabilities	**225**	19,678
Derivative financial liabilities	**-**	691
Deferred revenue	**3,074**	-
Total current liabilities	**121,013**	81,775
Non-current liabilities		
Borrowings	**90,503**	36,300
Deferred tax liabilities	**4,518**	4,675
Provisions	**449**	380
Derivative financial instruments	**7,031**	-
Other liabilities	**207**	-
Total non-current liabilities	**102,708**	41,355
Total liabilities	**223,721**	123,130
Net assets	**392,505**	191,441
Equity		
Issued capital	**329,245**	136,457
Reserves	**(5,011)**	1,260
Retained earnings	**68,271**	53,724
Total equity	**392,505**	191,441

24 Cash and cash equivalents

	Consolidated entity At 30 June 2018 $'000	30 June 2017 $'000
Current assets		
Cash and cash equivalents	**190,770**	178,125

(i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	Consolidated entity At 30 June 2018 $'000	30 June 2017 $'000
Balances as above	**190,770**	178,125

(ii) Classification as cash equivalents

Cash is shown net of overdrafts, as overdraft accounts are repayable on demand and form part of the group's cash management function.Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 1(j) for the group’s other accounting policies on cash and cash equivalents.

During the year the Group established a £8,000,000 ($14,272,000) short-term overdraft facility. £7,500,000 ($13,381,971) has been drawn at 30 June 2018.

25 Cash flow information

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

	Consolidated entity Year ended 30 June 2018 $'000	30 June 2017 $'000
Profit for the period	**41,474**	52,422
Adjustment for		
Depreciation and amortisation	**22,014**	8,223
Share based payment expense	**1,336**	1,133
Net (gain) loss on sale of subsidiaries	**-**	(28,039)
Change in operating assets and liabilities:		
(Increase) in trade debtors and other receivables	**(57,079)**	(44,945)
Decrease/(Increase) in derivative financial liabilities	**497**	157
(Increase) decrease in other current assets	**12,279**	(11,559)
(Increase) decrease in deferred taxes and income tax payable	**10,531**	(2,559)
(Decrease) increase in trade payables and accruals	**110,136**	43,045
(Decrease) increase in other liabilities and provisions	**(20,337)**	16,910
Net cash inflow (outflow) from operating activities	**120,851**	34,788

25 Cash flow information (continued)

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

26 Financial risk management

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.

	Consolidated entity At	
	30 June 2018 $'000	30 June 2017 $'000
Financial assets		
Loans and receivables	**269,438**	159,679
Margin deposits	**3,787**	3,132
Cash and cash equivalents	**190,770**	178,125
Available for sale financial assets	**255**	255
Financial liabilities		
Amortised Cost	**573,429**	234,061
Derivatives	**8,023**	1,186

(b) Derivatives

The Consolidated Entity enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and cross currency interest rate swaps, in accordance with the Group's financial risk management policies. The Consolidated Entity has the following derivative financial instruments at reporting date:

	Consolidated entity At	
	30 June 2018 $'000	30 June 2017 $'000
Current liabilities		
Interest rate swap contracts - cash flow hedges	**-**	691
Forward foreign exchange contracts - cash flow hedges	**992**	495
Total current derivative financial instrument liabilities	**992**	1,186
Non-current liabilities		
Cross currency interest rate swap - net investment hedge	**7,031**	-

26 Financial risk management (continued)

(b) Derivatives (continued)

(i) Classification of derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

(ii) Cross currency interest rate swap contract - net investment hedge

During the year, Webjet Limited entered into various cross currency interest rate swaps to hedge against its foreign operations. One cross currency interest rate swap entered on 22 September 2017 has been applied as a hedge against the translated net assets of the Sunhotels investment. A series of three cross currency interest rate swaps entered on 21 August 2017 have been applied as a hedge against the translated net assets of the JacTravel operations.

Cross currency interest rate swaps are carried at their fair values in the consolidated financial statements of Webjet Limited with gains and losses recognised in equity through the foreign currency translation reserve to the extent the hedge is effective. Any hedge ineffectiveness is recognised in profit and loss.

(iii) Forward exchange contracts

During the period, the Consolidated Entity entered into forward foreign exchange contracts to manage its foreign exchange rate risk on net working capital exposures relating to the B2B businesses. 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 equity through the cash flow hedge reserve. During the current period there was a net loss from decreases in fair value of $767,710 (2017: net loss of 157,486). The ineffective portion of the cashflow hedge amounting to $322,000 has been recognised in the consolidated profit and loss in the current period.

(c) Market risk

(i) Foreign exchange risk

The Consolidated Entity's risk management policy is to hedge between 75% and 85% of anticipated cash flows for the subsequent six months for the B2B operating segment. The B2B operating segment are required to hedge their foreign exchange risk exposure using forward contracts.

Instruments used by the group

The B2B operations offer customers to purchase hotel bookings and payments are made to suppliers in various currencies, including Euro, Norwegian Krona, Swedish Krona, British Pound and United States Dollar. Given the significant foreign exchange exposures arising from the B2B operations, the group has entered into forward exchange contracts for material currency pair exposures to hedge against currency fluctuation. These foreign currency contracts are hedging highly probable forecast bookings, adjusted to account for current cancellation rates, of which have check-in dates within average 4 months after booking date.

Hedge of net investment in foreign entity

During the current period, Webjet Limited entered into a number of cross currency interest rate swaps to hedge the amount of translated net assets of the JacTravel and Sunhotels group to the Australian Dollar. All four instruments have been designated as a hedge of the net investment of the respective operations. The fair value and carrying amount of the financial liability at 30 June 2018 was $7,030,731 (2017: $690,613 The foreign exchange loss of $6,340,118 (2017: gain $201,293 on Sunhotels) on translation of net assets of JacTravel and Sunhotels to Australian Dollars at the end of the reporting period is recognised in other comprehensive income and accumulated in the hedge reserve (refer to Note 17(b)). In the current year, there was no hedge ineffectiveness recognised in the consolidated profit and loss (2017: $32,348 loss).

Exposure

The Consolidated Entity's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

26 Financial risk management (continued)

(c) Market risk (continued)

Consolidated entity	USD $'000	GBP $'000	EUR $'000	NZD $'000	AED $'000
2018					
Cash and cash equivalents	**(8,928)**	**(9,134)**	**86,748**	**21,942**	**8,322**
Trade receivables	**50,234**	**22,807**	**41,699**	**40,981**	**(1,577)**
Trade payables	**(61,133)**	**(36,814)**	**(176,542)**	**(54,391)**	**(7,045)**
Total	**(19,827)**	**(23,141)**	**(48,095)**	**8,532**	**(300)**

Consolidated entity	USD $'000	GBP $'000	EUR $'000	NZD $'000	AED $'000
2017					
Cash and cash equivalents	10,464	2,402	20,766	15,620	3,032
Trade receivables	35,319	4,350	25,553	5,853	(3,718)
Trade payables	(19,240)	(7,134)	(48,755)	(9,506)	(3,694)
Total	**26,543**	**(382)**	**(2,436)**	**11,967**	**(4,380)**

Sensitivity

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 the 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 would be negative.

Consolidated entity	Impact on post-tax profit		Impact on other components of equity	
Index	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
USD/AUD exchange rate - increase 10% (2017: 10%)	**1,983**	2,655	**-**	-
USD/AUD exchange rate - decrease 10% (2017: 10%)	**(1,983)**	(2,655)	**-**	-
GBP/AUD exchange rate - increase 10% (2017: 10%)	**2,314**	(38)	**-**	-
GBP/AUD exchange rate - decrease 10% (2017: 10%)	**(2,314)**	38	**-**	-
AED/AUD exchange rate - increase 10% (2017: 10%)	**30**	(438)	**-**	-
AED/AUD exchange rate - decrease 10% (2017: 10%)	**(30)**	438	**-**	-
EUR/AUD exchange rate - increase 10% (2017: 10%)	**4,810**	(244)	**-**	-
EUR/AUD exchange rate - decrease 10% (2017: 10%)	**(4,810)**	244	**-**	-
NZD/AUD exchange rate - increase 10% (2017: 10%)	**(853)**	1,197	**-**	-
NZD/AUD exchange rate - decrease 10% (2017: 10%)	**853**	(1,197)	**-**	-

26 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Consolidated Entity does not hedge its exposure to interest rate movements and does not invest in fixed interest financial instruments. As at 30 June 2018 the Consolidated Entity had $190,769,600 (2017: $178,125,208) in cash and cash equivalents. The average interest rate on all deposits was 0.5% (2017: 1.6%).

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. If interest rates were to increase or decrease by 0.5%, the impact to profit and loss would be an increase to interest revenue of $988,223 (2017: $890,626) and decrease of interest revenue of $988,223 (2017: $890,636) respectively.

As at 30 June 2018, the Consolidated Entity had total borrowings of $122,715,270 at average interest rate of 3.57% (2017: 6.45%).

Profit or loss is sensitive to higher/lower interest expense from external borrowings as a result of changes in interest rates. If interest rates were to increase by 1.0%, the impact to profit and loss would be an increase in interest expense of $860,926 (2017: $494,700). If interest rates were to decrease by 1.0%, the impact to profit and loss would result in a decrease in interest expense of $860,926 (2017: 494,700).

(d) 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's exposure and the credit rating of its counterparties are continuously monitored. Credit risk is measured on a fair value basis.

The majority of the trade receivables are with debtors that operate in the travel industry and therefore 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 losses and provision, represents the Consolidated Entity's maximum exposure to credit risk.

(e) Liquidity risk

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

(i) Financing arrangements

The Consolidated Entity had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated entity Year ended	
	30 June 2018 $'000	30 June 2017 $'000
Floating rate		
- Expiring within one year	**15,805**	9,755

As at reporting date, the Group has available EUR 10,000,000 working capital facility.

26 Financial risk management (continued)

(e) Liquidity risk (continued)

(ii) Maturities of financial liabilities

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

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

Contractual maturities of financial liabilities	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
At 30 June 2018							
Non-derivatives							
Trade payables	**450,714**	**-**	**-**	**-**	**-**	**450,714**	**450,714**
Borrowings (excluding finance leases)	**16,085**	**17,438**	**66,843**	**25,211**	**-**	**125,578**	**122,715**
Total non-derivatives	**466,799**	**17,438**	**66,843**	**25,211**	**-**	**576,292**	**573,429**
Derivatives							
Trading derivatives	**992**	**-**	**-**	**-**	**-**	**992**	**992**
	992	**-**	**-**	**-**	**-**	**992**	**992**

Contractual maturities of financial liabilities	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
At 30 June 2017							
Non-derivatives							
Trade payables	184,591	-	-	-	-	184,591	184,591
Borrowings (excluding finance leases)	8,806	5,715	20,401	17,983	-	52,905	49,470
Total non-derivatives	193,397	5,715	20,401	17,983	-	237,496	234,061
Derivatives							
Trading derivatives	495	-	-	-	-	495	495
	495	-	-	-	-	495	495

(f) Fair value measurement

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

26 Financial risk management (continued)

(f) Fair value measurement (continued)

Consolidated entity - at 30 June 2018	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets					
Total financial assets		**-**	**-**	**-**	**-**
Financial Liabilities					
Derivatives used for hedging - foreign exchange contracts	26(b)	**-**	**992**	**-**	**992**
Derivatives used for hedging - cross currency interest rate swap	26(b)	**-**	**7,031**	**-**	**7,031**
Total financial liabilities		**-**	**8,023**	**-**	**8,023**

Consolidated entity - at 30 June 2017	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets					
Total financial assets		-	-	-	-
Financial Liabilities					
Derivatives used for hedging - foreign exchange contracts	26(b)	-	495	-	495
Derivatives used for hedging - cross currency interest rate swap	26(b)	-	691	-	691
Total financial liabilities		-	1,186	-	1,186

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

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

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Disclosed fair values

The group also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

The carrying amount of the borrowings is assumed to approximate fair value as borrowings disclosed in Note 14 are variable rate loans.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

26 Financial risk management (continued)

(f) Fair value measurement (continued)

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

27 Share-based payments

(a) Employee Share Option Plan

Options issued during the period

At the annual general meeting in November 2017, shareholders approved the issuance of 3,000,000 options to John Guscic. Subject to the vesting conditions below, the options granted will vest in three equal tranches of up to 1,000,000 options each as detailed below:

Tranche 1 Up to 1,000,000 options will vest on 30 September 2018 at an exercise price of up to $12.50 per share
Tranche 2 Up to 1,000,000 options will vest on 30 September 2019 at an exercise price of up to $14.00 per share
Tranche 3 Up to 1,000,000 options will vest on 30 September 2020 at an exercise price of up to $16.00 per share

Mr Guscic must remain employed by the Company on the applicable vesting dates and the following performance hurdles will apply:

Webjet TSR Hurdle:
Vesting of 50% of the options in each Tranche is conditional upon the Webjet TSR growth achieving the upper quartile of the median S&P ASX TSR Growth for the relevant year. If Webjet's TSR growth for the relevant year does not reach the TSR benchmark, the following will apply:

Webjet TSR growth against benchmark	% of Webjet TSR hurdle options that will vest
Upper quartile (75%)	100%
Median to upper quartile (75%)	Sliding scale between 50% and 100%
Median	50%
Below median	0%

Webjet EBITDA Hurdle:
Vesting of the other 50% of the options for each Tranche is conditional upon the Webjet EBITDA growth achieving 120% of the S&P ASX 200 average EBITDA growth rate for the relevant year. If Webjet's EBITDA growth for the relevant financial year does not reach the EBITDA benchmark, the following will apply:

Webjet EBITDA growth as % of EBITDA benchmark	% of Webjet EBITDA growth hurdle options that will vest
100%	100%
100 - 90%	Sliding scale between 50% and 100%
90%	50%
< 90%	0%

No options will vest in respect of the Webjet TSR or Webjet EBITDA hurdles if the respective benchmark for the relevant hurdle is negative.

Shares issued through exercise of options:
During the financial year, the following share-based payment arrangements were in existence:

27 Share-based payments (continued)

(a) Employee Share Option Plan (continued)

Option series	Number	Grant date	Expiry date	Exercise price^	Fair value at grant date
John Guscic - Tranche 1(c)	500,000	13/11/2013	30/06/2018	$4.64	$0.14
John Guscic - Tranche 2(c)	1,000,000	13/11/2013	30/06/2019	$5.14	$0.16
John Guscic - Tranche 3(c)	1,000,000	13/11/2013	30/06/2020	$5.64	$0.21
John Guscic - Tranche 1(d)	1,000,000	22/11/2017	30/06/2021	$12.50	$0.78
John Guscic - Tranche 2(d)	1,000,000	22/11/2017	30/06/2022	$14.00	$0.75
John Guscic - Tranche 3(d)	1,000,000	22/11/2017	30/06/2023	$16.00	$0.66

^ The exercise price for Tranches 1-3(c) reflect the adjusted exercise price at the date of this report as a result of previous rights issues.

c) Tranche 1 – Vested on 30/06/2015 as a result of remaining in employment at 30 June 2015
Tranche 2 – Vested on 30/06/2016 as a result of remaining in employment at 30 June 2016
Tranche 3 – Vested on 30/06/2017 as a result of remaining in employment at 30 June 2017
d) Tranche 1 - Vests on 30/9/2018 if performance hurdles (TSR and EBITDA) and tenure are met
Tranche 2 - Vests on 30/9/2019 if performance hurdles (TSR and EBITDA) and tenure are met
Tranche 3 - Vests on 30/9/2020 if performance hurdles (TSR and EBITDA) and tenure are met

	2018		2017	
Consolidated entity	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at beginning of financial year	**2,500,000**	**5.48**	3,500,000	5.14
Granted during the financial year	**3,000,000**	**14.17**	-	-
Forfeited during the financial year	**-**	**-**	-	-
Exercised during the financial year (i)	**(1,250,000)**	**4.94**	(1,000,000)	4.28
Expired during the financial year	**-**	**-**	-	-
Balance at end of financial year (ii)	**4,250,000**	**11.63**	2,500,000	5.48
Exercisable at end of financial year	**1,250,000**	**5.54**	2,500,000	5.48

As at 30 June 2018, the exercise price on outstanding options range from $5.14 - $16.00.

(i) Exercised during the financial year

500,000 options under Tranche (1c) were exercised on the 7 August 2017 at an exercise price of $4.64. The share price at the date of exercise was $11.91. The value of options exercised by Mr. Guscic was $2,320,000.

250,000 options under Tranche 2(c) were exercised on 11 August 2017 at an exercise price of $5.14. The share price at the date of exercise was $11.31. The value of the options exercised by Mr. Guscic was $1,285,000.

500,000 options under Tranche 2(c) were exercised on 29 November 2017 at an exercise price of $5.14. The share price at the date of exercise was $9.60. The value of the options exercised by Mr. Guscic was $2,570,000.

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had an weighted average exercise price of $11.63 (2017: $5.48) and a weighted average remaining contractual life of 3.4 years (2017: 2.2 years).

(iii) Balance subsequent to the financial year

With respect to the 500,000 options available for the TSR performance component under Tranche 1 (d), a total of 287,362 options will vest on 30 September 2018.

27 Share-based payments (continued)

(b) KMP performance rights

On 1 November 2017, a total of 150,334 performance rights were issued to senior KMP under the Employee Share Plan Trust. The fair value at grant date is estimated using a valuation model, taking into account the terms and conditions upon which the performance rights were granted. The fair value of the performance rights granted during the current period was estimated on the grant date using the following assumptions

Key assumptions	
Vesting basis	Tenure & performance
Performance hurdle vesting assumption	Met / not met
Performance hurdle 1	3 year TSR
Performance hurdle 2	3 year EBITDA
Pricing model	Monte Carlo
Exercise price	Nil
Dividend yield (%)	-
Risk-free interest rate (%)	1.99
Expected volatility (%)	30
Expected life of performance rights (years)	2.91
Fair value per share ($)	4.90 TSR / 10.76 EBITDA

28 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 22(a).

(b) Key management personnel compensation

	Consolidated entity Year ended	
	30 June 2018 $	30 June 2017 $
Short-term employee benefits	**3,297,333**	3,899,341
Post-employment benefits	**76,944**	140,567
Share-based payments	**883,976**	147,598
	4,258,253	4,187,506

Detailed remuneration disclosures are provided in the Remuneration Report and the Corporate Governance Report.

(c) Loans to/from related parties

	Consolidated entity At	
	30 June 2018 $	30 June 2017 $
Loans to key management personnel		
Beginning of the year	**1,501,311**	1,499,908
Loans advanced	**-**	1,500,000
Loans repayments received	**-**	(1,577,500)
Interest charged	**76,320**	78,903
Interest payments received	**(22,332)**	-
End of year	**1,555,299**	1,501,311

28 Related party transactions (continued)

(c) Loans to/from related parties (continued)

In the 2016 the Board approved to provide John Guscic with a limited recourse loan of $1,500,000, at a commercial interest rate and secured against the resulting shares, with the condition that the loan was used to exercise vested options. The loan is classified as other non-current assets in the consolidated balance sheet.

29 Business combination

(a) Acquisition of JacTravel

(i) Summary of acquisition

On 31 August 2017 the Group acquired 100% of the issued share capital of the following entities comprising the JacTravel Group:
JacTravel Group (Holdings) Limited
JacTravel Group Investments Limited
JacTravel Group Financing Limited
JacTravel Group Acquisitions Limited
TotalStay Holdings Limited
Exclusively Hotels Limited
JAC Group (Holdings) Limited
JacTravel Inc
JacTravel Limited
JAC Group of Companies Limited
TotalStay Limited
JacTravel China Limited
JacTravel Tourism LLC
Flame S.R.L.
JacTravel Scotland Limited

JacTravel is a market leading European B2B travel business with approximately £400 million in annual total transaction value and approximately 10,000 directly contracted hotels. This transformational acquisition has made Webbeds the number two European and global player in the B2B hotels.

Goodwill has arisen from synergies expected to be achieved from the acquisition which include the integration of B2B technology, including JacTravel's IT platform, cost synergy benefits from combined IT, support / shared service centre and centralised procurement, revenue synergy benefits from increased purchase power, and a trained and assembled workforce which does not meet the definition of a separately identifiable intangible asset.

None of the goodwill is deductible for tax purposes.

	2018 $'000
Purchase consideration (refer to (c) below):	
Cash paid	338,382
Ordinary share issued	28,718
Fair value adjustment - Webjet shares	(400)
Total purchase consideration	366,700

29 Business combination (continued)

(i) Summary of acquisition (continued)

The acquisition was funded by the proceeds of a $164 million accelerated non-renounceable entitlement offer issuing 16,402,747 shares at $10.00 per share, $100 million debt funding and $74 million from existing cash reserves. In addition, 2,624,926 new Webjet shares were issued to continuing JacTravel management shareholders and the private equity vendor of JacTravel at an issue price of $10.94 per share. Of the 16,402,747 shares raised through the entitlement offer, 9,314,703 ordinary shares were issued to institutional investors and 7,088,044 ordinary shares were issued to retail investors on the 14th August and 30th August 2017 respectively.

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

	31 August 18 Fair value $'000
Cash	**26,238**
Trade receivables	**86,549**
Other assets	**27,477**
Current tax asset	**2,668**
Deferred tax asset	**175**
Plant and equipment	**1,700**
Intangible assets	**136,833**
Trade payables	**(155,993)**
Other liabilities	**(7,387)**
Provisions	**(283)**
Deferred tax liability	**(22,998)**
Net identifiable assets acquired	**94,979**
Add: goodwill	**271,721**
Net assets acquired	**366,700**

(i) Acquired receivables

Identifiable assets acquired include trade and other receivables with a fair value of $86,549,000. Total gross contractual value of trade and other receivables is $91,271,000 which excludes any provision for doubtful debt. All amounts are expected to be collected.

(ii) Revenue and profit contribution

Given the integration of JacTravel within the broader WebBeds businesses and the regional reorganisation that occurred during the current period, it is impractical to disclose the contributed revenues and profit/loss for both the period under control and the 12 month period if JacTravel had been acquired by the Group on 1 July 2017.

(iii) Contingent liabilities

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

29 Business combination (continued)

(c) Purchase consideration - cash outflow

	2018 $'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	338,382
Transaction costs paid	8,174
	346,556
Less: balances acquired	
Cash	26,238
Net outflow of cash - investing activities	320,318

Acquisition-related costs

Total business acquisition costs incurred amounted to $8,347,864 of which $6,656,000 were recognised as reduction in equity. Consultancy costs, advisory fees and other acquisition-related costs of $1,139,274 have been included in the profit or loss. Establishment fees and interest expense arising from the new financing arranged for the purchase of $552,590 are included in the finance costs in the profit and loss statement.

30 Disposal of subsidiaries

In the prior year the Group sold its Hong Kong and Singapore Zuji businesses to Reckon Holdings Limited and Sharp Focus Pacific Limited, subsidiaries of Uriel Aviation Holding Limited, a Hong Kong based travel technology group. Total proceeds from sale amounted to $62,030,000 less transaction costs and net cash disposed. The Group recognised a gain on sale of 28,039,000 reported as other income in the consolidated profit and loss.

31 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 2018 $'000	30 June 2017 $'000
Balance sheet		
Current assets	4,572	68,689
Non-current assets	519,118	168,498
Total assets	523,690	237,187
Current liabilities	54,626	1,711
Non-current liabilities	101,780	40,708
Total liabilities	156,406	42,419
Shareholders' equity		
Issued capital	329,246	136,457
Reserves		
Available-for-sale financial assets	55	55
Cash flow hedges	(4,300)	(518)
Share-based payments	1,876	1,467
Retained earnings	40,407	57,406
	367,284	194,867

31 Parent entity financial information (continued)

(a) Summary financial information (continued)

Profit or loss for the period	**4,682**	76,246
Total comprehensive income	**-**	-
Total comprehensive income	**4,682**	76,246

(b) Guarantees entered into by the parent entity

The Parent entity, along with other associated subsidiaries, have collectively given financial guarantees for unsecured banking facilities granted to the Group amounting to AUD $27.2m as disclosed in note 20.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017. For information about guarantees given by the parent entity, please see above.

(d) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Webjet Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

32 Events occurring after the reporting period

(a) Other events

Revenue as agent
Following a review of the JacTravel contracts, effective from 1 July 2018, the JacTravel business operates on an agency basis for all its online travel booking services in line with the broader B2B group. Revenue will continue to be recognised at travel date.

Dividend
A final dividend of $0.12 per share, fully franked to 100% has been declared by the directors for payment on 11 October 2018 totalling $14.2 million.

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 Company in future financial years.

33 Remuneration of auditors

The parent entity appointed Deloitte Touché Tohmatsu as its auditor on 22 November 2017, replacing BDO Audit (SA) Pty Ltd, for the year ended 30 June 2018. The following fees were paid or payable for services provided by each auditor of the parent entity and their related practices:

33 Remuneration of auditors (continued)

(a) Deloitte Touche Tohmatsu

	Consolidated entity Year ended 2018 $	2017 $
Audit and review of financial statements	**799,509**	-
Other non-audit services	**1,380,290**	-
Tax related services	**247,577**	-
Total remuneration for audit and other assurance services (Note 1)	**2,427,376**	-

(b) BDO Audit (SA) Pty Ltd

	2018 $	2017 $
Total remuneration of BDO Audit (SA) Pty Ltd	**-**	228,370

(c) Network firms of BDO Audit (SA) Pty Ltd

	2018 $	2017 $
Audit and review of financial statements	**-**	256,060
Other assurances related services	**-**	118,340
Tax advisory services	**-**	147,000
Preparation of subsidiary financial reports	**-**	7,498
Total remuneration for other services	**-**	528,898
Total auditors' remuneration	**2,427,376**	757,268

Deloitte Touche Tohmatsu	**Post appointment $**	**Pre appointment $**	**Total $**
Note 1			
Audit and review of financial statements	799,509	-	799,509
Other non-audit services	127,078	1,253,212	1,380,290
Tax related services	167,073	80,504	247,577
Total auditors' remuneration of Deloitte	1,093,660	1,333,716	2,427,376

Approximately $1m of non-audit services primarily relating to tax and audit due diligence in connection with the acquisition of JacTravel were provided prior to Deloitte's appointment as auditor.

It is the Consolidated Entity's policy to engage Deloitte on assignments additional to their statutory audit duties where Deloitte's expertise and experience with the Consolidated Entity are important. These assignments are principally tax compliance services, due diligence reporting on acquisitions, or where Deloitte is awarded assignments on a competitive basis. It is the Consolidated Entity's policy to seek competitive tenders for major consulting projects.

34 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 23 August 2018.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 58 to 121 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Melbourne

23 August 2018

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Webjet Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Webjet Limited (the "Entity") and its subsidiaries (the "Group") which comprises the consolidated balance sheet as at 30 June 2018, the consolidated statement of profit or loss, 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, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the directors.

In our opinion the accompanying financial report of Webjet Limited, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of Webjet Limited in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the Key Audit Matter was addressed in the audit
JacTravel business combination As disclosed in Note 29 of the financial report, Webjet Limited acquired 100% of the shares of JacTravel on 31 August 2017 for a total purchase consideration of AUD $366.7 million (GBP 225.4 million). Accounting for the acquisition required a degree of management judgment in relation to the identification and valuation of identifiable assets acquired and assignment of their useful lives, and the liabilities assumed at acquisition date.	Our procedures included but were not limited to: • reviewing the signed Share Sale Agreement to understand the entities being acquired and the consideration payable for the acquisition; and • obtaining a copy of the external valuation report to assess the determination of the fair values of the intangible assets associated with the acquisition. In conjunction with our valuation experts, we: • assessed the identification of intangible assets acquired including brand names, technology platforms, customer contracts and supplier agreements along with the valuation methodologies used to value those assets; • assessed the associated underlying forecast cash flows in local currency for each intangible asset valuation and compared key assumptions, including long-term growth rates and royalty rates applied; • evaluated discount rates used by assessing the cost of capital applied for each valuation by comparing them to market data and industry research; and • tested on a sample basis the mathematical accuracy of the cash flow models. We have also assessed the appropriateness of the disclosures included in Note 29 to the financial statements.

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Key Audit Matter	How the Key Audit Matter was addressed in the audit
Revenue recognition For the year ended 30 June 2018, the Group's revenue totalled $751.8 million as disclosed in Note 4. Signficant judgement is required as the accounting process is complex, which is influenced by: • the use of multiple systems and their interface and interactions with agents, other airlines and industry bodies given the possible variations in the method of purchasing and modifying bookings; and • the accuracy of revenue recognition within the Group's systems and consistency with the relevant accounting standards, given the Group's dependence on automated processes for recording bookings revenue.	In conjunction with our IT specialists, our audit procedures included, but were not limited to: • obtaining an understanding of the process undertaken by management to account for the recognition of revenue from bookings fees and sales of travel bookings, including factors influencing whether the revenue is recognised on principal or agency basis; • testing key controls in respect of the revenue process; • performing data analytics procedures to obtain an understanding of the revenue trends and identify the transactions recognised that resulted in net margins outside of the expected range; • performing detailed testing to booking confirmations, bank statements and the general ledger on a sample basis; and • working with our IT specialists to evaluate the processesing of the bookings and associated accounting outcomes. We also assessed the appropriateness of the disclosures in Note 4 to the financial statements.
Carrying value of goodwill and intangibles in relation to the B2B and B2C businesses As at 30 June 2018 the Group's goodwill and other intangible assets balance is $583.2 million which represents 53.8% of total assets as disclosed in Note 12. Significant judgement is required due to assumptions relating to future market or economic conditions including: • cashflow growth rates based on expectations and estimates of future results of the cash generating units (CGUs); • discount rates; • long term growth rates; and • terminal values.	Our procedures included, but were not limited to: • obtaining an understanding of the process that management undertook to perform its impairment assessment; and • evaluating the level at which goodwill is monitored, including the identification of CGUs. In conjuction with our valuation experts, we: • evaluated the value in use models prepared by management and validated the reasonableness of the assumptions used to calculate the discount rate, long-term growth rates, terminal values, working capital levels and allocation of corporate costs compared to historical performance and industry benchmarks to ensure compliance

Deloitte.

Key Audit Matter	How the Key Audit Matter was addressed in the audit
	with the relevant accounting standards; • assessed the projected cash flows for both the B2B and B2C businesses, including the assumptions relating to EBITDA growth rates; • evaluated the implied multiples of the value in use models against recent transactions and market data; • assessed historical forecasting accuracy; • compared the market capitalisation of the Entity to the Group's net assets; and • subjected the key assumptions to sensitivity analyses. We have also assessed the appropriateness of the disclosures included in Note 12 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 44 of the Directors Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Webjet Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Entity 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants
Melbourne, 23 August 2018

The shareholder information set out below was applicable as at 31 July 2018.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Class of equity security Ordinary shares Shares	Options
1 - 1000	3,355	-
1,001 - 5,000	2,581	-
5,001 - 10,000	550	-
10,001 - 100,000	464	-
100,001 and over	59	1
	7,009	1

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares Number held	Percentage of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,717,900	23.33
J P MORGAN NOMINEES AUSTRALIA LIMITED	19,641,241	16.53
CITICORP NOMINEES PTY LIMITED	12,136,287	10.21
NATIONAL NOMINEES LIMITED	8,899,520	7.49
MR STEVEN SCHEUER <NO 1 ACCOUNT>	3,311,425	2.79
JAYELLE SUPER PTY LTD <JOHN LEMISH SUPER FUND A/C>	2,155,000	1.81
UBS NOMINEES PTY LTD	1,887,057	1.59
BNP PARIBAS NOMS PTY LTD <DRP>	1,696,607	1.43
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,547,839	1.30
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,157,693	0.97
MR STEVEN SCHEUER <NO 2 ACCOUNT>	1,135,717	0.96
PERSHING AUSTRALIA NOMINEES PTY LTD <EVANS AND PARTNERS ACCOUNT>	1,090,971	0.92
MS KING-ENG TAN	1,024,671	0.86
MR JOHN LEMISH	900,000	0.76
MR IAN STANLEY BOOTES + MRS KYLIE BOOTES	816,607	0.69
UBS NOMINEES PTY LTD	621,808	0.52
MR JOHN GUSCIC	583,334	0.49
MIRRABOOKA INVESTMENTS LIMITED	550,000	0.46
MR PETER CLEMENTS	530,606	0.45
MR DMITRY RUBAN + MISS ALEXANDRA MATVEEVA + REGION 35 LIMITED <RUBAN-MATVEEVA FAMILY A/C>	427,041	0.36
	87,831,324	73.92

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Colonial First State - Growth Australian Equities	6,013,451	5.06%
Wasatch Advisors	5,864,022	4.93%
Smallco Investment Manager	5,032,126	4.23%
Pendall Group	4,489,172	3.78%
Mr Steven Scheuer	4,447,142	3.74%
	25,845,913	21.75%

D. Voting rights

Ordinary shares: 118,831,075 fully paid ordinary shares are held by 7,009 individual shareholders. All issued ordinary shares carry one vote per share.

Options: 4,250,000 options are held by an individual option holder. Options do not carry a right to vote.

Webjet Limited
Corporate Directory

Directors	Roger Sharp Independent Non-Executive Director and Chairman
	John Guscic Managing Director
	Don Clarke Independent Non-Executive Director
	Brad Holman Lead Independent Non-Executive Director
	Shelley Roberts Independent Non-Executive Director
	Rajiv Ramanathan (appointed 1 July 2017) Independent Non-Executive Director
	Toni Korsanos (appointed 1 June 2018) Independent Non-Executive Director
Secretary	Tony Ristevski
Principal registered office in Australia	Level 2 509 St Kilda Road Melbourne Victoria 3004 Australia (03) 9820 9214
Share register	Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide South Australia 5000 (08) 8236 2300
Auditor	Deloitte Touche Tohmatsu 550 Bourke Street Melbourne Victoria 3000
Solicitors	Minter Ellison 525 Collins Street Melbourne Victoria 3000
	DLA Piper 140 Williams Street Melbourne VIC 3000
Bankers	National Australia Bank Level 30, 500 Bourke Street Melbourne Victoria 3000
	HSBC Level 10, 333 Collins Street Melbourne Victoria 3000
	ANZ Level 3, 100 Queen Street Melbourne Victoria 3000
Investor website	www.webjetlimited.com

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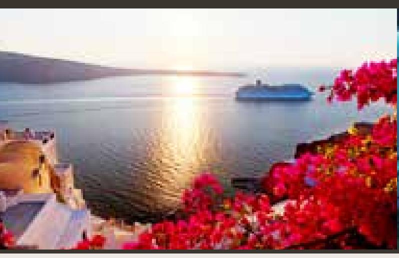


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