Webjet Limited
Annual Report 2019

profitable growth





webjet limited

Webjet Limited
ABN 68 002 013 612

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

B2B Hotels

B2B

WebBeds is the world's #2 and fastest growing accommodation supplier to the wholesale travel industry.

Global coverage – reporting into 3 regions:
- Europe
- Americas, Middle East & Africa (AMEA)
- Asia Pacific

B2C

Travel

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

Online Republic is a market leading specialist in the provision of online cruise, rental car, and motorhome bookings.

Contents

Dear Shareholder

FY19 was another exceptional year for Webjet. The company delivered a record performance across its key metrics, with Total Transaction Value (TTV) for continuing operations up 27% to $3.8 billion, revenue up 26% to $366.4 million, EBITDA up 43% to $124.6 million, NPAT (before acquisition amortisation (AA)) up 46% to $81.3 million and EPS (before AA) up 31% to 63.3 cents.

Roger Sharp
Chairman
Webjet Limited

WebBeds

WebBeds has continued to grow quickly, acquiring and integrating Destinations of the World (DOTW) on top of its strong organic growth during the year. In the six years since WebBeds was launched in 2013 from a small base in Dubai, it has now become Webjet's largest business, accounting for approximately 56% ($2,154 million) of Group TTV, 50% ($184.5 million) of Group revenue and 48% ($67.3 million) of Group EBITDA (before corporate costs).

WebBeds is the clear #2 player in the global B2B market and has demonstrated an ability to grow organically while identifying and successfully integrating acquisitions. We see that trend continuing.

B2C businesses – Webjet Online Travel Agent and Online Republic

The Webjet OTA was more subdued in FY19 due to a difficult domestic Australian economy and uncertainty in the lead-up to the Australian Federal election. Despite the subdued environment, flight bookings continued to grow at twice the market rate and a focus on both selling higher margin products to our customers and strong cost control drove TTV and EBITDA margin improvements.

In FY19 the Webjet OTA accounted for approximately 36% ($1,378 million) of Group TTV, 41% ($150.5 million) of Group revenue and 43% ($60.8 million) of Group EBITDA (before corporate costs). Since balance date, we have seen a healthy uplift in flight bookings.

Our Online Republic business reported a flat year during which it was impacted by the March 2019 Christchurch incident, which temporarily reduced demand for travel in New Zealand. Since balance date we have seen demand return in that market. As we look to drive more profitable growth in the Online Republic businesses, we are delighted to welcome Lindsay Cowley as CEO.

Governance

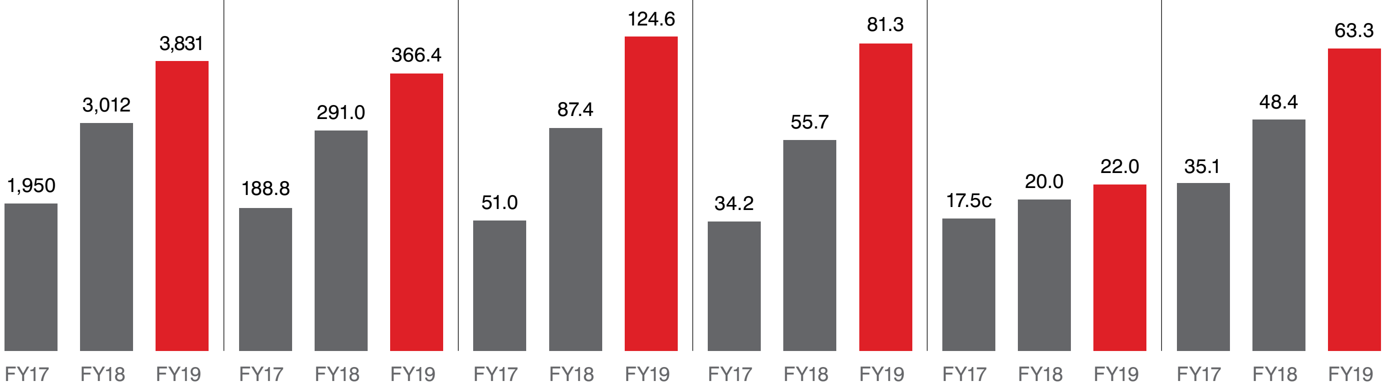
As we continue to grow our businesses, so are we evolving our governance and risk management practices to address the needs of an increasingly complex global company. We are conscious that our different stakeholders expect Webjet to operate in an environmentally responsible and socially sustainable manner, within an appropriate Environmental, Social and Governance framework.

We are proud of the diverse team of people who contribute to making this a great company and continue to strive for diversity, in the broadest sense of the term, across our businesses. At the close of FY19 we employed more than 50 different nationalities and women accounted for 53%, 30% and 33% of our workforce, our senior leadership team and our Board of Directors respectively.

Shareholders are referred to the Company's Corporate Governance Statement and Corporate and Social Responsibility Statement both of which are available on our investor website (www.webjetlimited.com). These set out the structures and procedures in place to underpin our various corporate social responsibility and sustainability initiatives. As social and environmental sustainability issues become of increasing importance to investors, we are constantly reviewing our reporting in this area to meet their needs.

Financial highlights (for continuing operations)

TTV	Revenue	EBITDA	NPAT (before AA)	Dividends	EPS (before AA)
$3,831m	$366.4m	$124.6m	$81.3m	22c/s	63.3c/s
↑ 27%	↑ 26%	↑ 43%	↑ 46%	↑ 10%	↑ 31%



Macro Environment

The outlook for travel remains positive, notwithstanding the uncertainties caused by factors we cannot control such as a global trade war, Brexit, climactic events and perceptions of over-tourism. While we see the world as an increasingly more complex environment in which to operate a large travel business, we also continue to see significant areas for profitable growth across both our WebBeds and B2C businesses.

Capital Management

Webjet continues to maintain a conservative balance sheet. The Company issued 13,346,230 million ordinary shares in a well-supported rights issue and 2,173,704 ordinary shares to the vendors of DOTW to fund its acquisition during the year. We increased borrowings during the year by $100 million to fund the DOTW acquisition and paid down $17.4 million of bank debt, resulting in a gearing ratio of net debt to EBITDA of 0.19 times at year end.

We have increased our final dividend to 13.5 cents per share, payable on 10 October 2019, bringing the total dividend for FY19 to 22 cents. Going forward, we expect dividend increases to be lower than EPS growth in order to retain cash for future growth opportunities

On behalf of the Board of Directors I would like to thank our shareholders for their continued support, and to the Webjet team for yet another great result.

Yours sincerely,

Roger Sharp
Chairman Webjet Limited

FY19 was an outstanding year of profitable global growth for Webjet – transacting $3.8 billion in TTV and delivering another record profit for our underlying business.

John Guscic

Managing Director
Webjet Limited

WebBeds is now the largest business by both TTV and EBITDA

Our B2B evolution continues with WebBeds delivering over $2.1 billion TTV and $67.3 million EBITDA from a standing start just over six years ago. In addition to strong organic growth in each region, the acquisition of DOTW, a leading B2B travel business based in Dubai, during the year helped consolidate our position as the clear #2 global B2B player. This followed the transformational acquisition of JacTravel the previous year.

Given the increased size and scale of the business, there was greater focus in FY19 on delivering profitable growth. Our FY19 results demonstrate that the investments in building out sales and contracting teams – firstly in MEA and Europe in FY16 and more recently in Asia Pacific in FY17 and FY18 – are now paying off in terms of increased profitability.

We saw higher TTV and EBITDA margins in all regions. Despite difficult market conditions in both Europe and the Middle East, we focused on selling our own directly contracted hotel inventory while maintaining margins. The Americas are now delivering substantial EBITDA driven by strong bookings growth in North America. Asia Pacific remains the world's fastest growing B2B region and our investment in the region over the last 2 years is starting to pay off with a strong turnaround in profitability in 2H19.

In November 2018 we acquired DOTW, resulting in a material increase in WebBeds' scale. It also brought to the business a highly complementary operating footprint in terms of geography, product and customer markets as well as an increased directly contracted hotel inventory, with 5,600 unique and 6,700 overlapping hotels. In addition to expanding our presence in Europe and MEA, the acquisition significantly enhanced our businesses in both Asia Pacific and the Americas. The business was integrated into the regional WebBeds structure just 6 weeks after acquisition. Revenue synergies are tracking to plan while cost synergies are tracking ahead of plan, resulting in a higher than expected contribution to FY19 results.

Direct contracts are a key component of our global distribution network – we now have directly contracted inventory with approximately 30,000 hotels, accounting for over 55% of sales. We continue to focus on growing directly contracted inventory and are targeting 40,000 directly contracted hotels.

During the year we also launched Umrah Holidays International, the first truly online B2B provider of religious travel services. Owned 51% by WebBeds, Umrah Holidays International is focused on servicing the expected increase in travellers arising from the Kingdom of Saudi Arabia's vision to welcome 30 million religious visitors a year by 2030. We believe it offers potential to deliver meaningful EBITDA by FY22.

Webjet OTA delivering improved margins

Consistent with previous election years, the Australian travel market slowed in the lead up to the Federal election in May 2019. This year we also saw a slower than expected post-election bounce which, combined with slowing economic conditions in general, resulted in a difficult domestic travel market. Nevertheless while we experienced slower growth than in previous years, flight bookings for the Webjet OTA continued to grow at double the rate of the underlying market.

Webjet's brand continues to strengthen and we continue to gain share as the #1 OTA in the market – with 50% of the entire OTA flights market in Australia. We also account for over 5% of all domestic flight bookings and around 4% of all international flight bookings. Our transition to the cloud continues to facilitate ongoing technological and product improvements, allowing us to find new ways to deliver value not only to our customers, but also our airline and other partners. Investing in partnerships helps ensure we are able to deliver the best content. During the year we recommitted to Travelport, signed as a launch partner with Qantas for its NDC program and introduced a new HSBC interest free holiday offering.

As a result of these initiatives, TTV margins continue to increase and our ongoing focus on managing costs combined with increased scale contributed to EBITDA margins remaining above 40%.

New strategy and management appointments for Online Republic

During the year, we implemented a new strategy concentrating on targeting profitable bookings growth with increased margins and lower acquisition costs. This delivered higher TTV and EBITDA margins in 1H19 however 2H19 was affected by the Christchurch incident in March 2019 that temporarily impacted demand for travel in New Zealand. Motorhomes in particular was severely impacted with a significant fall in bookings. We estimate the event resulted in a more than $1 million EBITDA impact to the business.

Driven by international markets, Cars performed well with improved yields however Cruise continued to underperform and we appointed a new General Manager in May 2019 to address market challenges and improve performance in that segment.

As we look to evolve Online Republic into a scalable global business, in June 2019 we appointed a new CEO, Lindsay Cowley, who brings relevant global and business transformation experience.

Outlook

WebBeds – We continue to see significant opportunities for profitable growth across all regions.

We continue to look for attractive acquisition opportunities to supplement our existing businesses. Following the successful integrations of both JacTravel and DOTW, we have a framework for extracting synergies which can be used for future acquisitions.

In light of our growing scale, by FY22 we believe we can deliver a profitability target of “8/4/4” in the WebBeds business (8% revenue/TTV and 4% costs/TTV to deliver 4% EBITDA/TTV). This equates to a 50% EBITDA margin. We expect costs to grow at a lower rate than revenue, driven by optimisation of IT platforms and the ongoing impact of Rezchain, our industry leading blockchain solution.

Webjet OTA – We continue to see growth opportunities for both domestic and international flights as well as from our range of ancillary products. We continue to refine our offering to address market conditions and continue to target bookings growth of more than the underlying market.

Online Republic – we are continuing with our current strategy to focus on higher TTV margins and lower acquisition costs.

Our People

Webjet began as a small start-up seeking to disrupt traditional norms in the highly competitive travel industry. Over the last 21 years, the business has grown to become Australia’s leading OTA driven by a culture based on agility, innovation and creativity. This spirit has continued into WebBeds. Beginning as a small start-up, our preparedness to challenge and disrupt the industry norm enabled WebBeds to become the #2 global B2B player in just over six years.

Over time, companies can lose some of the spirit that comes with being the smaller player. As we continue to grow our businesses around the world, we constantly seek to challenge ourselves to look for new opportunities, new innovations and find creative ways to always put our customers first. We do this by empowering our people to affect change – we recognise that those closest to our customers are best placed to understand their needs and we empower them to deliver superior customer outcomes. Innovation and creativity come through our non-hierarchical teams, offices designed to facilitate interactive thinking and a culture of listening to all ideas, regardless of their origin. We strive to be at the forefront of technology innovation and both Rezchain and Rezpayments evolved through the team’s willingness to think creatively and embrace change.

I would therefore once again like to thank all our employees. Their ongoing commitment to the company and preparedness to be agile, innovative and creative is what helps us continue to deliver.

Finally, these results would not be possible without the support of our customer base that continues to grow in all our businesses around the world and I would like to extend my ongoing appreciation for their loyalty.

John Guscic
Managing Director Webjet Limited

Operating Review

FY19 Statutory result includes various one-offs. Continuing Operations excludes these items in order to demonstrate the performance of the underlying business.

Webjet Limited	Statutory		Continuing Operations[1]	
TTV	$3,831 million	up 27%	$3,831 million	up 27%
Revenue[2]	$366.4 million	up 26%	$366.4 million	up 26%
EBITDA	$123.1 million	up 43%	$124.6 million	up 43%
EBITDA Margin	33.6%	up 395 bps	34.0%	up 398 bps
NPAT (before AA)[3]	$79.3 million	up 47%	$81.3 million	up 46%
NPAT	$60.3 million	up 45%	$62.3 million	up 44%
EPS (before AA)	61.8 cents	up 32%	63.3 cents	up 31%
EPS	47.0 cents	up 30%	48.6 cents	up 30%

1. Continuing Operations – FY19 excludes acquisition and integration costs ($15.2 million), reduction in earnout liability ($18.5 million) and debt establishment costs of $0.5 million associated with DOTW acquisition, as well as software write-off of $4.9 million. FY18 excludes acquisition costs of $1.1 million and debt establishment costs of $0.6 million associated with JacTravel acquisition.
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.

Continuing Operations delivers record profit

TTV was $3.8 billion up 27% compared to FY18. EBITDA was up 43% to $124.6 million, with EBITDA margin increasing to 34.0%, driven by increased profitability from WebBeds as well as scale benefits coming through in the Webjet OTA. NPAT (before AA) for continuing operations was up 46% to $81.3 million while NPAT was up 44% to $62.3 million.

Balance sheet remains strong with conservative gearing

Net assets increased $201.4 million during the year. Cash balance of $211.4 million as at 30 June 2019 included $29.2 million of client funds. This compared to cash balance of $190.8 million as at 30 June 2018 (including $25.9 million of client funds). Borrowings increased by $83.2 million to $205.9 million which included $100 million debt funding for the DOTW acquisition. $17.4 million debt was repaid during the year. Gearing on a net debt to EBITDA basis remains conservative at 0.19 times.

Cash conversion on target

Cash conversion (operating cash flow/EBITDA) remained strong in FY19 and in line with the 95%-110% target. Delayed implementation of a new ERP system in FY18 resulted in FY18 supplier payments being made in 1H19. Adjusting for the one-off $53 million Trade Payable carried over from FY18, FY19 cash conversion was 98%.

Dividend increased

The fully franked final dividend of 13.5 cents, brings the total dividend to 22 cents, an increase of 10% over FY18.

WebBeds B2B Hotels Business

WebBeds	Continuing operations	
Bookings	3,444,071	up 51%
TTV	$2,154 million	up 59%
Revenue[1]	$184.5 million	up 62%
EBITDA	$67.3 million	up 148%
TTV/revenue margin[2]	8.6%	up 15 bps
TTV/revenue margin (excl TC)	9.4%	up 23 bps
EBITDA margin	36.4%	up 1,261 bps
Organic EBITDA[3]	$78.4million	up 30%

1. Revenue is shown net of costs of sale as principal (i.e. on agency basis).
2. TTV/ Revenue Margin includes Thomas Cook TTV for which no revenue was recognised until 1 June 2019.
3. Organic EBITDA assumes full 12 month ownership of both JacTravel and DOTW across both years.

FY19 saw significant improvements across all metrics driven by organic growth as well as the impact of the JacTravel and DOTW acquisitions. TTV and EBITDA margins improved in all regions, driven by increased scale as well as returns coming through from prior year investments in expanding sales and contracting teams. No revenue was recognised on any sales made to Thomas Cook until 1 June 2019. From 1 June 2019, we now earn a margin on all sales to Thomas Cook, although this is significantly lower than for the rest of the WebBeds business.

EBITDA increased 148% to $67.3 million. Adjusting for acquisitions, organic EBITDA increased 30% assisted by synergies coming through. The EBITDA result is after expensing $1.4 million in the launch of Umrah Holidays International. EBITDA margins improved as a result of increased scale, cost synergies realised from the DOTW acquisition and a reduction in operating costs from the Rezchain initiative.

WebBeds Europe

Bookings increased 26% to 1,628,175 and TTV increased 45% to $1,122 million. Thomas Cook TTV was $197 million, up 70% over FY18. Europe saw strong growth notwithstanding the ongoing impact of the record hot 2018 summer, uncertainty surrounding Brexit and poor growth in Germany, Europe's largest travel market. EBITDA increased 102% to $35.7 million driven largely by increased scale from the DOTW and JacTravel acquisitions, as well as the realisation of acquisition synergies.

WebBeds AMEA

Bookings increased 67% to 952,492 and TTV increased 62% to $623 million. EBITDA was $25.8 million, an increase of 123% largely driven by contribution from DOTW as well as substantial EBITDA now coming through from the Americas.

WebBeds Asia-Pacific

Bookings increased 111% to 863,404 and TTV increased 110% to $409 million. This was due to DOTW as well as significant growth in the Asian business. EBITDA was $5.8 million, a 380% increase over FY18, reflecting profitability now coming through from the investments made in FY17 and FY18.

Webjet

Webjet OTA	Continuing operations	
Bookings	1,565,485	up 1%
TTV	$1,378 million	up 2%
Revenue[1]	$150.5 million	up 3%
EBITDA	$60.8 million	up 4%
TTV/revenue margin	10.9%	up 10 bps
EBITDA margin	40.4%	up 5 bps

1. Revenue is shown net of costs of sale as principal (i.e. on agency basis).

The 2H19 domestic travel market was impacted by the Federal election, a slower than expected post-election rebound and slowing economic conditions. FY19 Bookings were up 1%, TTV was up 2% and Average Booking Value (ABV) up 1%. TTV margins increased to 10.9% reflecting the increased sale of higher margin products across both flights and ancillary products. An ongoing focus on costs, coupled with increased scale, helped increase EBITDA margins to 40.4%.

Online Republic

Online Republic	Continuing operations	
Bookings	495,826	down 1%
TTV	$299 million	down 4%
Revenue	$31.4 million	—
EBITDA	$12.5 million	down 6%
TTV/revenue margin	10.5%	up 41 bps
EBITDA margin	40.0%	down 217 bps

While the strategy to focus on more profitable bookings improved TTV margins, 2H19 performance was impacted by the Christchurch incident in March 2019. FY19 Bookings fell 1% to 495,826 and TTV fell 4% to $299 million. EBITDA was down 6% to $12.5 million. We believe the Christchurch incident reduced FY19 EBITDA by more than $1 million.

Corporate

Corporate	Continuing operations FY19	FY18
EBITDA	($15.9 million)	($11.7 million)

Foreign Exchange (FX) losses contributed $2.2 million to corporate costs (FY18: $2.2 million). The revised hedging program instigated in early 1H19 began to mitigate FX volatility in 2H19. FY19 costs also include $0.5 million for the grant of retention options to the executive team. The balance of the cost increase reflects investment in the group function to support significantly increased global scale, stronger governance and risk management as well as other corporate overheads.

FY19 saw WebBeds consolidate its position as the #2 global B2B player, technology innovations continued across both the WebBeds and B2C businesses and ongoing enhancements to the Webjet OTA business.

Continued growth of global WebBeds business

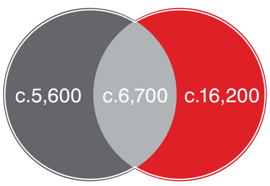
The acquisition of DOTW meaningfully enhanced WebBeds' global scale, while the launch of Umrah Holidays International provides an opportunity to target 30 million religious visitors each year.

DESTINATIONS OF THE WORLD

Acquisition of Destinations of the World (DOTW) consolidated WebBeds position as the #2 global player

- Acquired in November 2018
- Highly complementary operating footprint across geography, product and customer markets
- Significantly enhanced WebBeds' businesses in Asia Pacific and the Americas
- Increased directly contracted inventory by 5,600 hotels
- Improved depth of inventory across 6,700 overlapping hotels
- Tangible cost and revenue synergy opportunities

Directly contracted hotel inventory[1]



1 As at 5 November 2018

In February 2019 we launched

Umrah Holidays INTERNATIONAL

the first truly online B2B provider of travel services for religious pilgrims

- The Kingdom of Saudi Arabia has a vision to welcome 30 million religious visitors a year by 2030
- Represents a significant new market opportunity to leverage the WebBeds global distribution network to offer a range of religious travel packages
- We have developed a sophisticated integrated online visa application tool in accordance with Kingdom of Saudi Arabia regulations – the first online B2B business in the world to provide this service.

Technology innovations continue

In development since 2016, Version 5 of Rezchain is now implemented across all our WebBeds platforms. During the year we also introduced Rezpayments, a secure, cloud hosted PCI tokenisation service that provides a flexible and cost-effective way for companies accepting credit cards to comply with PCI data security standards.

Rezchain – the first workable blockchain in the travel industry

- We built Rezchain to address a significant problem across the hotel industry
- Around 5% of all hotel bookings are disputed in some way due to data mismatches which increase costs and cause friction between parties
- Rezchain is a simple blockchain solution that allows any two parties to verify whether booking data matches and enable immediate action to correct erroneous data and mitigate losses
- Version 5 is now implemented across all WebBeds platforms including DOTW
- Rezchain is already driving efficiencies across WebBeds and will play a critical role in moving to our "8/4/4" target by FY22 by helping reduce costs.*

What does it look like in numbers?

	Hotel booking disputes
4%	result in situations where services are provided but never invoiced
33%	are amended in some way after the reservation was first made
10%	experience some kind of manual intervention that can break the chain and cause a discrepancy
	Webjet built Rezchain to help address this problem

Rezpayments – our in-house PCI compliance solution

- Credit cards are widely used in our B2C business, as well as within parts of WebBeds, requiring us to comply with the Payment Card Industry (PCI) Data Security Standard
- Unable to find a suitable "off the shelf" PCI compliance solution, we built Rezpayments, a secure, cloud-hosted PCI tokenisation service that is easy to implement into workflows, providing a cost effective and flexible solution
- Rezpayments allows companies that accept credit cards online to simplify their PCI compliance requirements and reduce compliance costs
- Used in the Webjet OTA since 2016, Rezpayments welcomed its first external clients during FY19.

Webjet remains the #1 OTA in Australia and New Zealand

We continue to look for ways to improve our Webjet OTA offering – investing in partnerships to ensure the best content, introducing a range of technological improvements and ongoing product enhancements to make customer transactions as user-friendly and frictionless as possible and delivering exceptional customer service.

* By FY22 we believe we can deliver "8/4/4" in our WebBeds business – 8% revenue/TTV and 4% costs/TTV to drive 4% EBITDA/TTV

B2B

4%

Significant growth opportunity

WebBeds is the #2 B2B player globally, yet has less than 4% market share, of a

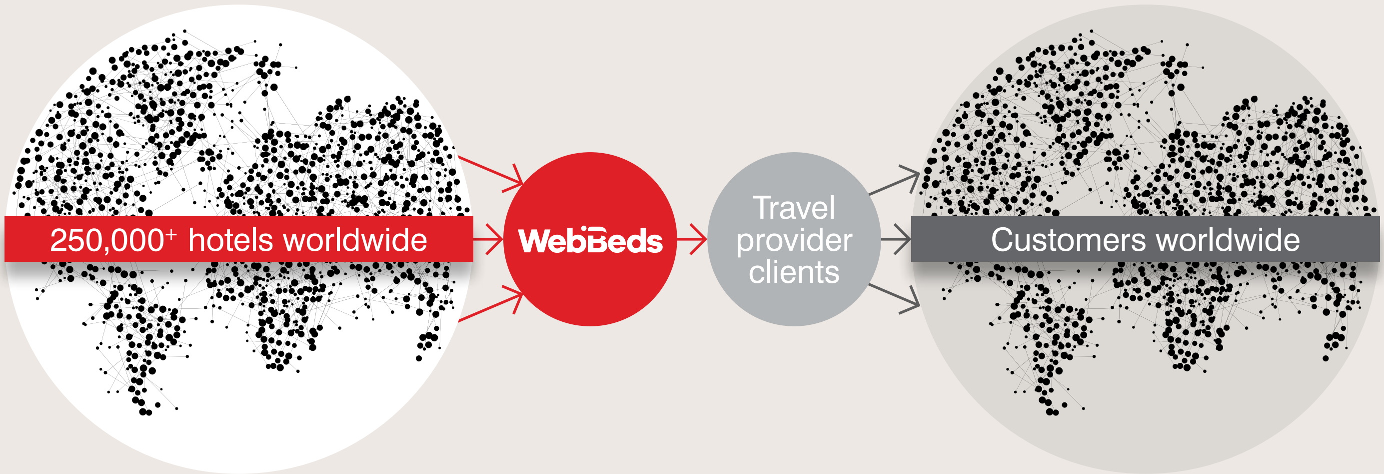
US$50bn+

TTV market.

B2B is an attractive growth market

An important part of the global travel market

- B2B players are intermediaries between hotels looking to fill rooms and travel provider clients looking to find rooms for their customers
- B2B is a highly fragmented global market
- Each region has different characteristics and requirements
- There are very few global players – the majority have specialised, local offerings and relatively small market share
- Ongoing industry consolidation represents significant opportunity for WebBeds to gain share
- Inventory, pricing and technology are key drivers of success



The WebBeds offering

…to our hotels partners

- Access to the fastest growing global distribution platform
- Help hotels manage occupancy rates – B2B bookings are typically longer lead-time with lower cancellation rates than consumer bookings

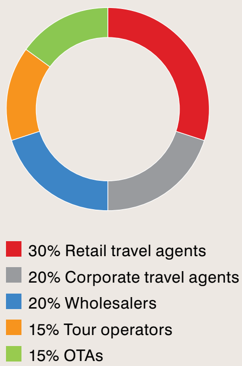
The majority of our hotel partners are independent – we help diversify sources of demand for their rooms.

…to our clients

- Fast, easy access to a wide range of global inventory
- Highly competitive inventory pricing
- User friendly, market leading technology

As the #2 global player, we are an important source of hotel inventory for our clients.

A balanced client portfolio across all major segments

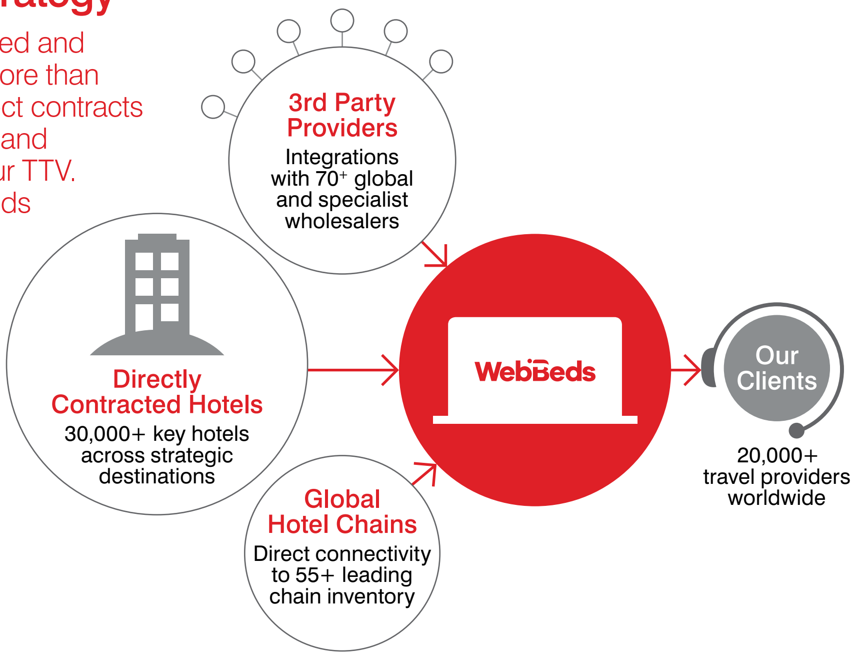


B2B

Why WebBeds is winning share

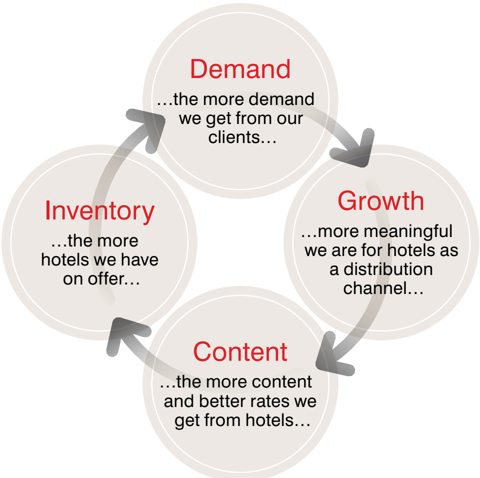
Multi-supply aggregation strategy

We use a combination of directly contracted and 3rd party inventory to provide rooms at more than 250,000 hotels around the world. Our direct contracts are focused on key strategic destinations and currently account for more than 55% of our TTV. Over 70 third party providers help WebBeds deliver a full global inventory offering while keeping costs low.



- **Greatest breadth and depth of hotel inventory** – by using a combination of directly contracted and 3rd Party inventory, we provide clients a global offering through "one connection". Our multi-supply aggregation strategy also allows us to draw on multiple sources to fulfil accommodation requests at times of peak demand.
- **Low cost model** – our entire offering was designed to disrupt by providing a global offering at a lower cost. Higher cost direct contracts are focused on key strategic destinations and 3rd Party providers broaden our offering without the need to increase contracting costs. We also have cost effective customer support centres and Rezchain is helping drive efficiencies.
- **Global scale** – many clients use more than one B2B provider to access hotel rooms. As the #2 global player selling to over 200 destination countries through customers in more than 130 source markets worldwide, WebBeds is meaningful to both our clients and hotel partners. As the fastest growing player in the world, we are able to leverage our global scale across both source and destination markets to drive demand for rooms which in turn helps drive improved room allotments.
- **Highly competitive prices** – our multi-supply aggregation strategy means we are able to access room rates from multiple supply sources. We only display the lowest priced option meaning our clients only see the most competitive room rate.
- **Market leading, user-friendly technology** – our clients can access our global inventory through either XML or direct website connections. The vast majority of clients use high-speed XML connections which offer sub-second response processing times.
- **Experienced management team** – our WebBeds leadership team has significant industry experience building leading B2B businesses across key global markets. Our entrepreneurial and customer-centric culture is focused on providing the best outcome for both our hotel partners and our clients.

...selling to over 200 destination countries through our clients in more than 130 source markets worldwide



The network effect

As the fastest growing B2B player in the world, the network effect continues to be a meaningful driver of our global growth.

B2B

WebBeds global offering

Directly contracted hotels

30,000

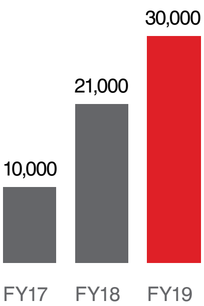
↑ 43%

Directly contracted inventory

As % of sales continues to increase –

55%+

in FY19



WebBeds Europe

WebBeds bookings growth rate	26%
Markets across Europe	30

Europe is one of the most important B2B markets given the significant number of independent hotels and in general, higher TTV margins that other regions. WebBeds continues to gain share as the #2 B2B player in Europe. FY19 saw high TTV growth coming though in large European markets including Germany, UK, France and Russia, while maintaining market leadership in the important Nordic markets.

Sales from higher margin direct contracts continue to increase and now account for more than 70% of sales in a number of key European cities including Amsterdam, Barcelona, Berlin, London, Milan, Paris, Rome and Venice, as well as important global cities such as New York and Dubai.

Thomas Cook Partnership

All key Thomas Cook platforms and geographies are now connected. On 1 June 2019 we transitioned to a volume-based earning arrangement earning revenue on all sales to Thomas Cook (these sales are at a significantly lower TTV margin than the rest of our WebBeds business). Over 3,000 direct hotel contracts acquired from Thomas Cook are available on the WebBeds platforms. Sales of these contracts to parties other than Thomas Cook are at full margin and were a key contributor to increased margins in FY19.





WebBeds Asia Pacific

WebBeds bookings growth rate	111%
Markets across Asia Pacific	17

Asia Pacific remains the fastest growing B2B region in the world, offering significant growth potential. WebBeds is now the #2 player in the region operating in 17 countries, having expanded into 6 new markets during the year.

The intra-Asian travel market is a key driver of growth and the DOTW acquisition delivered a number of direct contracts in complex Asian markets of Thailand, Korea and Japan which has increased our relevance to these important markets. During the year we increased scale in key source markets of South Korea, Indonesia, India and Hong Kong.

WebBeds AMEA

WebBeds bookings growth rate	67%
Markets across MEA	36
Markets across The Americas	19

Middle East & Africa

WebBeds is now the #1 player in the region, operating across 36 markets. While the underlying market continues to struggle, WebBeds saw ongoing growth from both organic growth as well as contribution from DOTW. EBITDA growth continues to be driven by increased sales through higher margin supply sources.

In February 2019, we launched Umrah Holidays International, the first truly online B2B provider of religious travel services.

The Americas

Strong bookings growth is coming through increased numbers of large customers, as well as optimising delivery platforms to facilitate higher booking volumes. The USA remains the largest destination for WedBeds customers.

We now operate in 17 markets across Latin America, expanding into 2 new markets during the year.

B2C

webjet.com.au

Webjet is the #1 OTA in Australia and New Zealand offering our customers the greatest convenience and choice in online travel.

What we offer…

- **Full range of flight options** – our unbiased, easy-to-use matrix display lets customers select the product that suits them best
- **Robust content** – we focus on more than just price, visually showcasing comprehensive product features
- **30 minute price guarantee** – we guarantee the fare displayed will be available when it comes time to pay
- **Mobile apps** – we make it easy to search and book across a full range of mobile devices
- **Wide range of payment types** – we let customers choose the option that suits them best
- **Superior customer service** – we offer 24/7 booking support and are proud of our consistent #1 ranking in industry wide customer service benchmarking studies
- **Trusted brand** – our strong brand loyalty is reflected in high levels of repeat customers as well as growth of ancillary offerings
- **Interest Free Holidays** – we have partnered with HSBC to deliver 12 months interest free terms for flights, hotels and holiday packages
- **All-inclusive tours** – we established the Webjet Exclusives business to help make incredible travel experiences possible at affordable prices for travellers who prefer to have everything arranged for them

More than just flights

We are the market leader in OTA flight bookings and continue to enhance our range of ancillary products which continue to account for 25% of revenues.

- **Exclusives** – exclusively contracted holiday packages
- **Dynamic holiday packages** – we let customers create their own packages
- **Travel insurance** – backed by Allianz
- Over 495,000 **Hotels** worldwide
- **Car hire** – 2000+ individual rental car companies in over 200 countries
- **Motorhomes** – 240+ individual companies in 37 countries
- **Cruise** – over 40 different cruise lines representing 1600 port of call locations
- **Gift Cards** – Webjet eGift Cards can be purchased online and Gift Cards are available from over 1,000 retailers around Australia

Flight bookings continue to grow around twice the market. Webjet is now: 50% of the entire OTA flights market in Australia and New Zealand, more than 5% of the domestic Australian flights market and around 4% of the Australian international flights market.

Our continued growth in size and scale is helping us deliver greater value to airlines and other partners.

We look for ways to continually improve our offering to provide user-friendly, and frictionless transactions. We are committed to continually enhancing our product offering – by investing in partnerships, as well as introducing a range of technological improvements and product enhancements.

Investing in Partnerships to ensure the best content

- Our arrangement with **American Express** and **NAB** allow customers to redeem reward points for travel
- Following a rigorous technological review, we have recommitted to **Travelport** to ensure we are best placed to receive real time content from more than 400 carriers around the world
- We are working with **Qantas** as a launch partner for its NDC program
- Our **RouteHappy** integration allows us to help airlines differentiate their product by visually showcasing comprehensive product features such as aircraft type, seat pitch, layout and entertainment options. This allows our customers to compare offerings and make more informed decisions.
- **Exclusives** – we continue to broaden content and expand our product offering. Key new offerings include Swiss rail groups, Maldives resorts and European river cruising
- We l**aunched HSBC Interest Free** enabling customers to enjoy their travel now and pay up to 12 months later
- Black Hawk have dramatically **increased distribution of digital & physical gift cards** in retailers around Australia

Technological improvements

- **Complex multi-stop flights** are now available on all mobile platforms
- **PayPal added** to mobile apps, simplifying checkout
- **Enhanced user experience for mobile sites** making it easier to search for the flights
- **Speed and stability** continue to improve across the platform
- We continue to **enhance and upgrade security** across all our platforms
- **Online chat sales teams** have helped improve conversions for Webjet Exclusives
- **Integrated messaging** is the primary contact point for customers providing a seamless experience for servicing all devices
- **POLI** now integrated enabling fee free bank transfers, with instant approval
- Further enhancements to **automate our Change My Booking processes**
- **Apple Pay** and **Android Pay** will be added to our apps during FY20

Product enhancements

- Launched **Webjet Member Only Hotel Deals**, delivering incremental savings for Webjet customers
- User Experience enhancements for **Dynamic Packages**
- **Hotels cross-sell** added to mobile website
- **Free seat selection** for major airlines
- **Enhanced LCC flight offerings** adding Cebu Pacific and increasing available ancillaries across LCCs
- **Implemented pricing into flight search calendars** to help identify the cheapest days to fly

Delivering exceptional customer service remains a core feature of Webjet's offering

- We collect **real time feedback** at multiple customer touchpoints to continually monitor and improve our service offering
- Our **NPS and customer effort scores** continue to reflect superior customer service
- We also offer a range of **chat, messaging and social engagement services** throughout the booking process to make the experience as frictionless as possible.

B2C

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

Online Car Rentals

AirportRentals.com
AirportRentals.com.au

Airport Rentals is the #2 online car rental site in Australia and New Zealand providing car hire inventory and a car hire white label website for Webjet OTA. It has contracts with all major global suppliers and operates in more than 200 countries, with websites supported in eight languages.

A leading player in Australia and New Zealand, the business continues to focus on developing profitable new outbound travel markets in North America, Europe, South Africa and China, as well as extending the range of services in response to customer demand for a broader offering. With new iOS and Android apps launched during the year providing enhanced customer engagement opportunities, a renewed focus on repeat purchase is expected to further reduce cost of acquisition in FY20.

Online Motorhomes

MotorhomeRepublic.com
MotorhomeRepublic.com.au

Motorhomes Republic is the #1 global online motorhome rental site offering consumers the ability to book a camper van from any of over 600 locations across 37 countries. Operating in nine languages with contracts with all major global suppliers, the business is focused on targeting growth in the "independent traveller" segment.

Increased demand continues to come from American and European markets both in terms of destinations, as well as source markets for outbound travel. More foreign language sites were released in FY19, helping drive outperformance from those markets. Peer2peer inventory was integrated during the year.

During the year, Motorhome Republic extended its global proposition with the addition of a further ten countries and 50 additional locations. To support this expansion, a new specialist multi-lingual call centre was established in Romania, providing additional capacity across time zones.

Online Cruises

CruiseSalefinder.com
CruiseSaleFinder.com.au

CruiseSalesFinder is a leading online cruise booking site, it offers the best cruise line deals to the Australian and New Zealand markets on over 40 different cruise lines representing 1600 port of call locations. It has been providing the cruise offering for the Webjet OTA since 2014. CruiseSalesFinder was again a finalist in the *CLIA Cruise Agency of the Year* awards for both Australia and New Zealand in 2018 – and a previous winner of the NZ category in 2015, 2016 and 2017.

Cruise was again a difficult market for aggregators in FY19. Constrained capacity in the Australian home port cruise market continued to have a material impact on bookings with total Australian capacity falling further from the already reduced levels from 2018.









B2C

Established in 1998 as one of the first OTAs in the Australian market.

Webjet's focus has always been to offer our customers the greatest convenience and choice.

2004-2006

2004. **Leading the way in online travel tools and technology**.

2004. **World's first Travel Services Aggregation technology**, bringing together multiple travel products for distribution to consumers.

2004. **Develop industry first Domestic Matrix presentation.**

2005. Visualisation, moving physical services to Virtual Servers.

2005. **Industry first Knowledge Engine**.

2006. **International Matrix Development**, allowing mix and match of fares to international short haul routes.

2007-2009

2007. Deal Finder & Deal Finder Alerts.

2008. Introduction of American Express points as flexible payment option.

2009. **First IOS app**.

2010-2012

2011. **Migration to the cloud began.**

2011. Webjet founder, David Clarke, retires as Managing Director.

2013

2013. Acquired Zuji (a leading OTA in Hong Kong and Singapore, with operations in Australia) in order to expand its B2C offering into the Asian market.

Launch of B2B in Dubai

Feb 2013, launched start-up of **Lots of Hotels** based in Dubai servicing the Middle East and Africa (MEA) markets.

Keen to diversify into broader travel market opportunities and leverage considerable in-house management expertise, the company launched its B2B operations in 2013.

B2B

2014

Webjet OTA launches the sale of cruises through a partnership with Online Republic, offering over 4,000 cruises.

Webjet Exclusives launched
Focussed on resort holidays and international packaged tours.

Migration to the cloud completed.

Expansion into Europe with acquisition of Sunhotels

Focused on building a global B2B business, Webjet expanded into Europe in Jul 2014 with the acquisition of **Sunhotels**, a Spanish based B2B provider with a key strength in Mediterranean and beach properties and market leadership in the Nordic countries.

2015

Air Asia and Webjet partnered to offer low cost flights through Asia to Webjet's customers, connecting through a direct API integration.

The Americas market launch

Nov 2015, Lots of Hotels launched into the Americas market, starting with North America, but soon extending into Canada and Latin America.

2016

Acquired Online Republic

Acquired in May 2016, Online Republic is a market leader in the attractive online car hire, motorhome and cruise segments.

RouteHappy integration

RouteHappy's rich content was integrated in Nov 2016 to allow airlines to showcase their offerings and help customers choose the right product for their travel needs.

Sold the Zuji business in Nov 2016 to focus on higher margin B2B opportunities in Asia.

Strategic partnership with Thomas Cook

Aug 2016, Sunhotels announced a strategic sourcing partnership with Thomas Cook, to take responsibility for the majority of Thomas Cook's complementary hotel business volume by mid 2019.

Asian market entry

Nov 2016, announced the launch of **FIT Ruums**, the company's entry strategy into the fast growing Asian B2B market.

DIDA partnership in China

FIT Ruums announced an exclusive alliance partnership with DIDA travel, the #1 travel distributor in China.

RezChain initiative announced

Partnership with Microsoft in developing the world's first Blockchain for the travel industry.

Webjet #1 OTA in Australia and New Zealand

WebBeds #2 in the global B2B market

2017

Webjet partners with NAB to power their Travel Rewards program

From Jan 2017, NAB Rewards members can earn and burn NAB reward points for any seat, on any flight at Webjet. They can also pay or part pay in points for hotels, holiday packages and other travel products.

Acquisition of JacTravel

Aug 2017, the company acquired **JacTravel**, a London based global B2B player with a key strength in tier 1 European city properties. The acquisition made WebBeds the #2 player in the global B2B market.

2018

POLI

Added as a payment option to the Webjet OTA site, enabling customers to pay for travel directly from their bank accounts.

Acquisition of DOTW

Nov 2018, acquired Destinations of the World, a leading B2B business headquartered in Dubai. This meaningfully increased WebBeds' scale and consolidated its position as the clear #2 global player.

2019

Launch of RezPayments

Webjet welcomed the first external customers for its PCI compliance solution offering.

HSBC Interest Free integrated for Webjet OTA offering customers a buy now, pay later proposition.

Launch of Umrah Holidays International

In Feb 2019, we launched the first truly online B2B provider of religious travel services with an integrated online visa application tool.

RezChain implemented across all WebBeds platforms

Version 5 is helping reduce costs and drive efficiencies across the business.

Directors of the Company

Roger Sharp

- BA LLB
- Appointed 1 January 2013

Independent Non-Executive Chairman

Member of Risk Committee

Roger has more than 30 years' global experience investing in, financing and running growth companies. He was formerly CEO of ABN AMRO Asia Pacific Securities and Global Head of Technology for ABN AMRO Bank, and subsequently founded North Ridge Partners, a technology investment bank. He has served as a director or chair of several companies, including travel.com.au Limited (ASX: TVL), which he chaired until its sale. He is currently Chair of Geo Limited (NZAX: GEO) and Deputy Chair of Tourism New Zealand.

John Guscic

- BEc, Executive MBA
- Appointed 25 January 2006

Managing Director from February 2011

John was previously Managing Director, Asia Pacific for GTA and formerly Managing Director, of the Travelport Business Group, Pacific region. Based in Tokyo, Japan, he was responsible for the Galileo and GTA brands in Australia, New Zealand, Japan, Korea and Indonesia. Previous to that John was Managing Director, Galileo South Pacific and Flairview Travel.

Shelley Roberts

- B.Bus Sci, ACA, GAICD
- Appointed 30 April 2016

Independent Non-Executive Director

Member of Audit and Remuneration & Nomination Committees

Shelley has extensive strategic, commercial and operational experience in the travel sector and is currently employed as the Managing Director of Compass Group Australia. Previous roles have included Executive Director of Aviation Services at Sydney Airport and Managing Director of Tiger Airways Australia. Shelley also held leadership positions in organisations including Macquarie Airports, Macquarie Bank Limited and the EasyJet Airline Company Limited. Shelley's appointment in April 2016 as a Non-Executive Director has enhanced the diversity and finance, accounting and operational management experience of the Board.

Shelley is an active member of Chief Executive Women.

Toni Korsanos

- BEc, CA, GAICD
- Appointed 1 June 2018

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 and Ardent Leisure Group Limited.

Brad Holman

- BCom
- Appointed 19 March 2014

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.

Don Clarke

- LLB (Hons)
- Appointed 10 January 2008

Independent Non-Executive Director
and Deputy Chairman

Chairman of Risk and Remuneration
& Nomination Committees

Don is a lawyer and company director. In addition to being a consultant to the law firm, Minter Ellison (having retired on 30 June 2015 after 27 years as a corporate partner of the firm), Don is a director of the listed companies, Zoono Group Limited and Contango Income Generator Limited, and two other unlisted public companies. He has extensive commercial law and business experience from over 30 years advising ASX listed and private companies.

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 2019. 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.

Directors

The Directors of the Company during the whole of the financial year and up to the date of this report are as follows:

- Roger Sharp, Chairman
- John Guscic, Managing Director
- Don Clarke
- Brad Holman
- Shelley Roberts
- Rajiv Ramanathan (resigned 21 November 2018)
- Toni Korsanos

The qualifications, experience and special responsibilities of the Directors are provided on pages 22 to 23.

Company Secretary

Company Secretaries are:

- Tony Ristevski BComm (Hons), ACA (appointed May 2018) and
- Zi Mtenje ACA, CFA (appointed January 2019).

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 2019, 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	7	7					6	6
John Guscic	7	7						
Don Clarke	7	7			5	5	6	6
Brad Holman	7	7	6	6	5	5		
Shelley Roberts	7	7	6	6	5	5		
Toni Korsanos	6	6	5	5			6	6
Rajiv Ramanathan (resigned 21 November 2018)	1	3	2	4				

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

Principal activities

The principal activity of the Consolidated Entity is the online sale of travel products, including flights and hotel rooms. The Group's business consists of a B2C division (Webjet OTA and Online Republic) and a B2B division (WebBeds). Refer to pages 6 to 7 for an operating overview of the Group.

Key events during the period

In November 2018 the Group acquired 100% of the issued share capital of Destinations of the World and its controlled entities (DOTW). Total consideration paid or payable was A$229.6 million, funded by borrowings and a one-for-nine entitlement offer.

DOTW is a pureplay B2B accommodation wholesale platform, headquartered in Dubai. The company has operations through the Middle East, Europe, Asia Pacific and the Americas, connecting highly fragmented suppliers (hoteliers) and travel retailers (travel agents, online travel agents, tour operators, and third party-wholesalers). The integration of DOTW has been successful evidenced by cost synergies tracking ahead of plan and revenue synergies tracking to plan. The success of the integration framework for extracting synergies used in both the DOTW and earlier JacTravel acquisition will provide a strong platform for future acquisitions.

Financial Results

During the period, the WebBeds B2B business became the biggest contributor to the Group's TTV and EBITDA. In just six years since start-up, it has become the clear #2 global player and fastest growing B2B business in the world. Ongoing investment in building out contracting and sales teams is now delivering profitable growth.

Webjet OTA continues to gain share and is now 50% of the online travel agent (OTA) flight market, more than 5% of the domestic flights market and around 4% of the international flights market. OTA flight bookings continue to grow around two times the underlying market.

	2019 $m	2018 $m	Change $m	Change %
Total transaction value	3,831.2	3,012.0	819.2	27%
Revenue – statutory	366.4	761.6	n.m	n.m
Revenue(1)	**366.4**	**291.0**	**75.4**	**26%**
Revenue margin	9.6%	9.7%		-10bps
Operating expenses	(241.8)	(203.6)	(38.2)	19%
EBITDA before non-operating expenses(2)	**124.6**	**87.4**	**37.2**	**43%**
EBITDA margin	34.0%	30.0%		+398bps
Non-operating expenses(3)	(1.6)	(1.1)	(0.5)	45%
Depreciation and amortisation	(17.0)	(9.5)	(7.5)	79%
Acquisition amortisation(4)	(19.0)	(12.5)	(6.5)	52%
Net interest costs	(12.4)	(5.7)	(6.7)	118%
Profit before tax	**74.7**	**58.6**	**16.1**	**27%**
Taxation expense	(14.4)	(17.1)	2.7	(16%)
Net profit after tax (NPAT)	**60.3**	**41.5**	**18.8**	**45%**
NPAT (before AA)(5)	79.3	54.0	25.3	47%

n.m = not meaningful

(1) For 2018, revenue is shown net of cost of providing travel services of $470.6 million to provide a more meaningful comparison to current year.

(2) EBITDA = Earnings before interest, tax, depreciation and amortisation, and provides a better understanding of financial performance and allows better comparison between financial periods. EBITDA is unaudited.

(3) Comprises of costs incurred on the acquisition and integration of DOTW and JacTravel and write-off of software. Refer to Note 1.4 of the financial statements.

(4) Acquisition amortisation represents amortisation on the additional intangible values recognised under AASB 3 on business combinations.

(5) NPAT (before AA) shows the NPAT of the Group before the effect of accounting adjustments on additional intangibles recognised under AASB 3 and provides an alternative view of the profitability of the Group.

Total Transactional Value (TTV) for the year increased by 27%. WebBeds B2B, which now contributes 56% of total Group TTV, increased by 59% and B2C TTV increased by 1%. Continued focus on profitable growth (both organic and inorganic) in both the B2B and B2C businesses resulted in a 26% increase in revenue over PCP (Prior Corresponding Period).

The TTV and revenue increases above are driven mainly by our B2B business and reflects the increased scale following the acquisitions of JacTravel in August 2017 and DOTW in November 2018 that has allowed a focus on delivering more profitable growth. The WebBeds Europe and MEA businesses are now at scale while investment in Asia-Pacific and the Americas continues.

Despite WebBeds not yet being at scale in all markets, we are already close to our initial 8/5/3 profitability target (8% revenue/TTV and 5% cost/TTV to deliver 3% EBITDA/TTV) with FY19 EBITDA margin of 34%, an increase of 398bps on PCP. By FY22, the Group is aiming to achieve an 8/4/4 profitability target in the WebBeds business which will lift overall group EBITDA margin.

Webjet OTA saw TTV margin increase come through both flights and ancillary products. Continued growth in size and scale, compounded by the wide range of ongoing technological improvements and product enhancements, means Webjet OTA can deliver better value to airlines, consumers and other partners. Technology improvements which facilitate greater cross-sell and increased sales of hotels and packages has helped drive the growth in higher margin ancillary products, which continue to account for about 25% of Webjet OTA revenues.

Online Republic showed some improvement in TTV margins, reflecting the strategy to focus on higher margin and profitable bookings. FY19 was noticeably impacted in 2H19 by external events. The appointment of new senior management with relevant global and business transformation experience is expected to improve performance.

Refer to the Operating Review for a detailed review of the performance of each business segment.

FY19 non-operating expenses includes acquisition and integration costs of $15.2 million related to the acquisition of DOTW in November 2018. Integration of DOTW is ahead of plan, and the Group is on track to realise the targeted revenue and cost synergies. During the year, the Group wrote off $4.9 million of accounting software that is no longer fit-for-purpose. Offsetting these costs is a write back of earn-out provision liabilities which are not expected to be payable on past acquisitions amounting to $18.5 million. Acquisition and integration costs for the PCP related to the acquisition of JacTravel in August 2017.

Depreciation and amortisation, as well as acquired amortisation, increased in FY19 reflecting DOTW (seven months of ownership) and JacTravel (two months of incremental ownership over FY18), as well as higher capex spend to support the increase scale of the business.

Borrowings for the Group increased to finance the DOTW acquisition. This contributed to the increase in interest expense compared to PCP. In addition, with the increased scale of the B2B business comes increased foreign currency exposure from dealing with hotels and customers in different geographies. To mitigate foreign currency risk, B2B has increased its hedging program which resulted in incremental option premium hedging costs compared to PCP.

The effective tax rate for the period was 19%, down from 29% in PCP is a result of the increased contribution from the B2B business which has a lower effective tax rate, coupled by the interest benefit from the amortisation of intangibles arising on acquisition.

Dividends

An interim dividend of 8.5 cents per share fully franked totalling $11.5 million was paid on 18 April 2019. The Directors declared a final fully franked dividend of 13.5 cents per share totalling $18.3 million for payment on 10 October 2019. The total FY19 dividend of 22.0 cents is a 10% increase on 2018 dividends of 20 cents.

Balance sheet

	2019 $m	2018 $m	Change $m
Cash and cash equivalents	211.4	190.8	20.6
Trade and other receivabes	368.1	272.3	95.8
Intangible assets	907.4	583.2	324.2
Other assets	34.8	37.4	(2.6)
Total assets	**1,521.7**	**1,083.7**	**438.0**
Trade and other payables	550.5	450.9	99.6
Borrowings	205.9	122.7	83.2
Other liabilities	121.1	67.3	53.8
Total liabilities	**877.5**	**640.9**	**236.6**
Net assets	**644.2**	**442.8**	**201.4**
Share Capital	510.8	329.2	181.6
Retained earnings and reserves	133.4	113.6	19.8
Total equity	**644.2**	**442.8**	**201.4**

Cash and cash equivalents increased by $20.6 million. Cash generated from operations was $45.7 million, however, after adjusting for $53.0 million of delayed supplier payments due to go-live issues with new financial ERP system in June 2018, cash from operations for the period would be $98.7 million.

Negative working capital rose marginally to $182.4 million from $178.6 million with the increase in trade and other receivables arising mainly from the acquisition of DOTW. Effective working capital management continues with adjusted cash conversion on continuing operations remaining at 98%, similar to PCP.

Intangible assets increased by $324.2 million of which the DOTW acquisition contributed $310.1 million, ongoing capex contributed $27.4 million, foreign exchange $17.5 million, offset by amortisation expense of $30.8 million.

Borrowings increased by $83.2 million, with $100 million arising from additional borrowings to fund the DOTW acquisition, offset by current year repayments of $17.4 million. The Group's leverage remains conservative.

Other liabilities increased by $53.8 million. Main contributors being the deferred consideration and earn-out consideration payable in 2020 and 2021.

Share capital increased during the period following the retail capital raise and institutional placement in November 2018, with funds raised used to pay for the acquisition of DOTW.

Material business 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. Key economic, business and social sustainability risks include:

Economic risks

- Economic conditions
- Changes within specific markets in which we operate
- Changes in consumer preferences
- Increased competition
- Financial risks
- Impact of war, terrorism and other external events
- Changes to Government policies and regulations
- Technological disruption

Business and social sustainability risks

- Data security
- Technology/IT system failure
- Retention of key personnel
- Reputation risks
- Supplier relationships
- Customer loyalty
- Intellectual property
- Strategy/M&A

There are various structures and procedures in place to manage the Company's key 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). Every effort is made to identify and manage material risks, however additional risks not currently known or listed above may also adversely affect future performance.

Commentary as to how the Company manages material risks impacting the business are set out below:

Economic risks

- 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. The WebBeds business operates in a number of markets around the world, some of which are facing political and economic instability which could impact demand for the Company's products or people's willingness to travel in those markets. Webjet continues to diversify and grow its global source and distribution markets to minimise reliance on any singular market or product range. In FY19, the Company operated in more than 130 source and 200 destination markets.

Data security and technology

- The Company 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) have the potential to impact customer satisfaction and confidence and to impact on the operations and financial performance of Webjet and/or its share price. The Company is focused on maintaining data security and constantly monitors and reviews its technology systems. During FY19, the Company significantly upgraded security protocols across all businesses and appointed a Global Program Manager for Security to ensure security is a consistent and measured priority across all businesses. During the year, staff received data security and privacy training, with additional training provided to developers on how to write secure code. A number of red teaming exercises have been held to test and refine the security procedures in place. The Risk Committee is vigilant in reviewing all security procedures.

Retention of key personnel

- As a highly automated business, the majority of Webjet Limited employees are skilled workers. The Company is focused on ensuring a motivated workforce and carries out employee satisfaction surveys across all its businesses. FY19 results suggest the Company has a high performing culture with a highly engaged employee base. The Company seeks to engage its employees and facilitate productivity by offering a range of flexible work options where the role allows. We benchmark remuneration in order to attract, motivate and retain employees across all geographies. A wide range of training programs are offered to employees across all businesses and geographies. Turnover (excluding departures due to business restructuring) remained low in FY19.

Customer loyalty

- The Webjet Group businesses are 'customer service' businesses and are, in part, dependent on customer satisfaction and loyalty (i.e. repeat business). The Company tracks customer satisfaction across all products and businesses using a range of surveys and other tools. The Webjet OTA remains a leader in industry wide customer service benchmarking studies. As well as attracting new customers, the business continues to have a significant number of repeat customers. Online Republic also has a significant number of repeat customers with a very high Trust Pilot rating. Customer loyalty in the B2B WebBeds business remains high with business from existing customers remaining constant year over year, while at the same time new customer numbers continue to increase.

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. The Company works with its suppliers to continue to add value to their distribution chains. During the year we continued to enhance our technology offerings and service capabilities across both B2C and B2B WebBeds businesses.

Other steps taken by Webjet to manage its economic, business and social sustainability risks are set out in the Company's Corporate Governance Statement and Corporate Social Responsibility (CSR) Statement, both of which are available on our investor website (www.webjetlimited.com/corporate-governance).

Subsequent events

Dividend

A final dividend of 13.5 cents per share, fully franked to 100% has been declared by the directors for payment on 10 October 2019 totalling $18.3 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 Consolidated Entity in future financial years.

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.

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.

Indemnity of officers and auditors

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 fees

Non-audit services that were provided during the current or prior year by the auditor are set out in Note 1.5 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 1.5 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 29.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest one hundred thousand dollars in accordance with that Legislative Instrument.

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

On behalf of the Directors

Roger Sharp
Chairman
Melbourne, 22 August 2019

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000

Tel: +61 (0) 3 9671 7000
www.deloitte.com.au

22 August 2019

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

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 2019, 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

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present Webjet's Remuneration Report for the financial year ended 30 June 2019.

We have spent considerable time and effort in restructuring the remuneration report to make it more concise and transparent. We trust that you will benefit from these changes.

As is evident from the Group's financial results and performance data, FY19 has been another year of strong performance across the business.

In the context of Webjet's executive remuneration, while the aggregate total remuneration paid to its executive team has increased in recent years (including FY19), more importantly for shareholders, the growth in the Group's total transaction value (TTV), revenues, EBITDA and NPAT (which are the key parameters driving shareholder returns) have materially outstripped the growth in executive remuneration.

By way of a summary, the key remuneration outcomes for Webjet's executive team for FY19 were:

- there were limited increases only in fixed remuneration in FY19 for the Executive KMP, with increases restricted to executive team members whose specific roles, responsibilities and/or geographic location changed substantially (for example, due to the significant growth in the WebBed's business as set out in the report);
- reflective of the Company's overall performance, with EBITDA growth of 43% and TSR growth of 7%, the Executive KMP team were rewarded with significant STI and LTI outcomes; and
- two changes were made to the FY19 remuneration arrangements for the Executive KMP (other than the Managing Director):
  - » first, option grants (based on fair value) will be used as the vehicle for LTI rewards from and including FY19; and
  - » with continuity of the executive team over the next 4 years being of key importance to the Company, an additional one off long-term service-based grant of options was made to the members of the Executive KMP team in FY19.

  These changes recognised the need, in a highly competitive global travel market, to further incentivise the key members of the Executive KMP team to remain employed by the Company.

Moving forward, there will be no major changes in remuneration policy within the Company in FY20. The focus will continue to be on policies which encourage management to strive for superior performance and which reward the achievement of targets that are challenging. In doing so, the Company is very aware of the need for its remuneration policies to reinforce the desired standards and culture across the Company and for it to firmly align management with the interests of the shareholders.

There will, however, be changes in the structure and quantum of the remuneration package of the Managing Director.

We are proud that our executive team and that our remuneration arrangements have played a part in the achievement of the exceptional results that we have once again accomplished.

Don Clarke

Chairman, Remuneration and Nomination Committee

Record performance continues

Demonstrating Powerful Profitable Global Growth

TTV	Revenue	EBITDA	NPAT (before AA)	98% Adjusted Cash Conversion
$3.8bn	$366.4m	$124.6m	$81.3m	
↑ 27%	↑ 26%	↑ 43%	↑ 46%	

Contents

1. Introduction

We are pleased to present the Remuneration Report for FY19.

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 financial year ended 30 June 2019 (FY19) and provides detailed information on the remuneration arrangements for Key Management Personnel ("KMP"), being 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.

2. KMP for 2019

The tables below shows all the KMP covered by the FY19 Remuneration report:

Non-Executive Directors		Term
Roger Sharp	Non-Executive Director – Chairman Risk Committee – Member	Full year
Don Clarke	Non-Executive Director – Deputy Chairman Risk Committee – Chair Remuneration and Nomination Committee – Chair	Full year
Brad Holman	Lead Independent Non-Executive Director Remuneration and Nomination Committee – Member Audit Committee – Member	Full year
Shelley Roberts	Non-Executive Director Audit Committee – Member Remuneration and Nomination Committee – Member	Full year
Toni Korsanos	Non-Executive Director Audit Committee – Chair Risk Committee – Member	Full year
Rajiv Ramanathan	Non-Executive Director Audit Committee – Member	Part year Resigned 21 November 2018

Executive Director		Term
John Guscic	Managing Director	Full year

Executives		Term
Shelley Beasley	Group Chief Commercial Officer	Full year
Tony Ristevski	Chief Financial Officer & Company Secretary	Full year
Graham Anderson	Chief Information Officer	Full year

3. Executive KMP remuneration philosophy, principles and components

a. Philosophy

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.

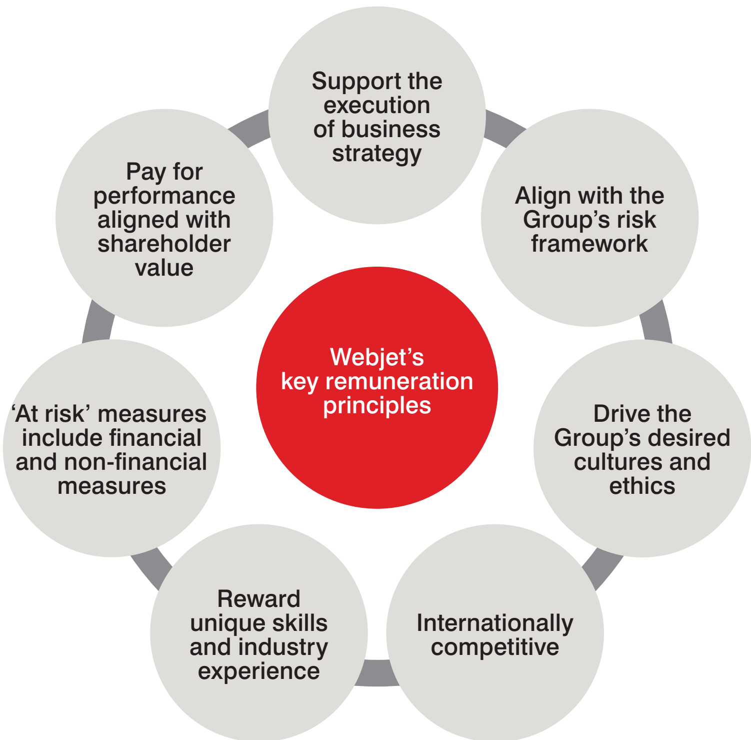
The Group's Executive KMP remuneration is designed to attract, retain and motivate a highly qualified and experienced management team with the necessary skills and attributes to lead the Group in achieving its business objectives. Additionally, remuneration needs to promote the desired standards, culture and business ethics, as well as aligning the activities of management with the interests of Webjet's shareholders.

Remuneration also aims to encourage management to strive for superior performance by rewarding the achievement of targets that are clearly understood, challenging, and within the control of individuals to achieve through their own success.

A significant proportion of Executive KMP remuneration is 'at risk' to provide alignment with the interests of shareholders and to drive performance. The remuneration mix is designed to reward the Executive KMP for the achievement of short term objectives and the creation of long term sustainable value. It is the Committee's belief that a balance between shorter term and longer term objectives will drive business growth and is more likely to create value for the shareholders than the promotion and reward of short-term results only.

b. Principles

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



c. Remuneration components

How was remuneration structured for FY19?

Webjet's FY19 remuneration structure was designed with four distinct purposes in mind

First, it has to support the implementation and achievement of the Company's overall strategy for the growth of its business.	Second, the remuneration structure has to attract, motivate and retain the talent required to drive the long term success of the Company's business.	Third, remuneration has to be reasonable and to align the interests of management and the shareholders.	Fourth, the remuneration structure has to promote the desired behaviours, culture and ethics across the Company, particularly in the context of excellence and customer service.

The diagram below provides an overview of the different components of Webjet's remuneration framework.

Remuneration Component	Fixed Annual Remuneration (FAR)	Short Term Incentive (STI)	Long Term Incentive (LTI)
Objective	Attract and retain the best talent	Reward current year performance	Reward performance aligned with long term business strategy while aligning the interests of the Executive KMP with Shareholders.
Purpose	To reward the Executive KMP with a base salary which is broadly aligned with: • the salaries for comparable roles in both Australian and global companies of similar global complexity, size, reach and industry; and • their responsibilities, location, skills, performance, qualifications and experience.	The purpose of the STI is to focus the Executive KMP on actions and outcomes that reflect the Group's strategy, and which deliver performance at or above stretch performance objectives (both financial and non-financial) in the relevant financial year.	The purpose of the LTI is to focus the Executive KMP on the achievement of sustainable long-term value creation for the Group and the shareholders.
Weighting (at maximum)	• MD: 36% • Executive KMP: 49%	• MD: 30% • Executive KMP: 24%	• MD: 34% • Executive KMP: 27%

d. Share ownership

Webjet does not have a prescribed minimum shareholding requirement for its Executive KMP. All Executive KMP are encouraged to have a meaningful shareholding in Webjet (supported by awards under our LTI plan being granted entirely in equity).

Ownership of ordinary shares by members of the Executive KMP is shown in Table 10.

4. FY19 Executive KMP remuneration

a. Executive KMP remuneration components

Fixed Annual Remuneration ("FAR")	
Description	A competitive base salary is paid to attract and retain high-quality and experienced Executive KMP.
Approach	Base salary is broadly aligned with: • the salaries for comparable roles in both Australian and multinational companies of similar global complexity, size, reach and industry; and • each Executive KMP's responsibilities, location, skills, performance, qualifications and experience.
Reviews	FAR was frozen for three years from 1 July 2016 for the Executive KMP. The Managing Director's FAR has remained unchanged over that period. Executive KMP increases during the period reflect expanded roles and/or added responsibilities or relocation to a different jurisdiction. 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. For the Managing Director, his FAR will increase significantly in FY20. With no increase in FAR for three years and in circumstances where the Company has grown very substantially in all respects over that three year period, the current FAR of the Managing Director is materially below market (both in terms of his fixed annual remuneration and the overall size of his remuneration package) in comparison with the remuneration paid to the senior executive officers of companies comparable to Webjet (by reference to market capitalisation, complexity and geographic spread of the respective businesses). For the Executive KMP (other than the Managing Director), despite the FAR freeze ending on 30 June 2019, there will be no major changes to FAR in FY20 because of the changes made to the LTI arrangements and the grant of the Retention Options made to the Executive KMP (excluding the Managing Director) in FY19. For FY21, prior to the commencement of that financial year, the Committee intends to undertake a review to ensure that FAR for the Executive KMP remains competitive in the context of the market. There are likely to be some increases to FAR for the Executive KMP in FY21 as a result of that review.

Short Term Incentive ("STI")	
Description	Eligible Executive KMP participate in the annual STI plan, which puts a proportion of remuneration 'at risk'. The STI creates a focus on, and rewards, the Executive KMP for the achievement of performance in the relevant financial year or above stretch financial objectives and other non-financial measures that reflect the Group's objectives and strategy.
Performance period	1 year
Opportunity	MD: 35% to 82% of FAR Executive KMP: 15% to 50% of FAR
Delivery	Cash

Short Term Incentive ("STI")

Performance measures

It will generally be the case that specific financial benchmarks will constitute over 50% weighting when setting the STI benchmarks applicable to each of the Executive KMPs.

For FY19, the measures and weightings for the STI were as follows:

Measure	Managing Director	Executive KMP	Rationale for measure
TSR gateway	Yes	No	A TSR gateway ensures that the Managing Director and the interests of shareholders are aligned.
EBITDA	86%	90%	The use of EBITDA (which is set by way of an annual target number) in the STI is appropriate for Webjet because it provides annual goals for executives having regard to the conditions in the market as they present themselves from year to year. This is distinct from the use of EBITDA in the LTI which measures the sustained growth of EBITDA over the long term and rewards outperformance against our peers.
Individual non-financial KPIs	14%	10%	Non-financial KPI's are unique to each Executive KMP. This year they were customer service, cost management, brand reputation, customer retention and churn, market share, product and IT innovation and delivery and quality outcomes. Non-financial measures are set to drive the right corporate, cultural and ethical behaviours and reward delivery of the Group's strategy.

For the MD, the non-financial STI maximum is $100,000 and is subject to the TSR for the Webjet Group for FY19 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.

Vesting Schedule for the financial component of the STI is:

Performance (% of EBITDA Target)	Managing Director	Performance (% of EBITDA target)	Executive KMP (except 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)

The EBITDA target requires achievement of a 'stretch' target (130% of the respective EBITDA budget is required before an Executive KMP is entitled to full payment of the financial component of his/her STI). The EBITDA target drives and rewards the right behaviours while aligning with shareholder's interests.

Cessation of employment

If employment ceases by reason of death, total and permanent disablement, retirement or redundancy the Board may, in its discretion, allow for a part or all of the STI to be paid, generally based on the period of employment in that year, refer to Table 6 for further details.

If employment ceases due to resignation, termination for cause or gross misconduct before the performance is assessed, the Executive KMP relinguishes any STI payments which may have otherwise been available.

Clawback

If, in the opinion of the Board, an STI award vests or may vest as a result of certain activities such as fraud, dishonesty or gross misconduct by the participant, or breach of duties or obligations by the participant, the Board may determine that the participant's awards must be repaid.

The Board intends to generally review the clawback provisions over the coming year to ensure that they are and remain consistent with good corporate practice.

The Remuneration Committee intends to generally review the provisions of its STI arrangements over the coming year to ensure that they are and remain consistent with good corporate practice.

Managing Director's Long-term Incentive	
Description	As part of the three-year extension to the Managing Director's employment contract in September 2017 a request for the approval of options to be issued to the Managing Director was voted by the Shareholders at the Annual General Meeting on 22 November 2017. These options, together with the options previously approved in 2013, constitute the long-term incentive component of the MD's remuneration and are an important part of ensuring the continuity of Webjet's current leadership.
Opportunity	Shareholders approved the grant of 3,000,000 options to the Managing Director at the Annual General Meeting on 22 November 2017. The Managing Director does not receive dividend entitlements on unvested awards.
Option grant	Subject to satisfaction of the vesting conditions below, the options granted to the Managing Director 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 $12.50 per share; • Tranche 2 Up to 1,000,000 options will vest on 30 September 2019, at an exercise price of $14 per share; and • Tranche 3 Up to 1,000,000 options will vest on 30 September 2020, at an exercise price of $16 per share. Refer to Table 7 in Section 10 for details of options that vested during the period and to Table 9 in Section 10 for the key assumptions underpinning the grant of the Managing Director's LTI options. This vesting schedule is appropriate where the Managing Director is employed by way of a fixed term contract as it provides for vesting throughout the term of that contract. For FY21, assuming his contract is extended, it is likely that a new LTI arrangement will be put into place for the Managing Director in order for his overall remuneration package to include an appropriate long term 'at risk' incentive component.
Performance measures	**A: Webjet TSR Hurdle** Vesting of 50% of the options of each Tranche (i.e. 500,000 options) is conditional upon the Webjet TSR growth achieving the upper quartile of the median of the S&P ASX 200 TSR growth (TSR benchmark) for the relevant year. If Webjet's TSR growth for the relevant year does not reach the TSR Benchmark, the following will apply: (see table below)

Webjet TSR growth as against the TSR benchmark	Percentage of Webjet TSR Hurdle options that will vest
Upper Quartile (75%)	100%
Median to Upper Quartile	Sliding scale between 100% and 50%
Median	50%
Below Median	0%

For the purposes of this performance hurdle, the median S&P ASX 200 TSR Growth is the median of 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.

B: Webjet EBITDA Hurdle

Vesting of the other 50% of the options for each tranche (i.e. 500,000 options) is conditional upon the Webjet EBITDA growth achieving 120% of the S&P ASX 200 Average EBITDA Growth Rate for the relevant financial year (EBITDA Benchmark). If Webjet's EBITDA Growth for the relevant financial year does not reach the EBITDA Benchmark, the following will apply:

Webjet EBITDA growth as a percentage of EBITDA benchmark	Percentage of Webjet EBITDA Growth Hurdle options that will vest
100%	100%
90% – 100%	Sliding scale between 50% and 100%
90%	50%
< 90%	0%

For the purposes 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 in respect of the TSR or EBITDA hurdles if Webjet TSR or EBITDA growth (as the case may be for the relevant hurdle) is negative.

Board Discretion	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.
Cessation of employment	If the Managing Director ceases to be employed by the Company prior to his options vesting by reason of death, total and permanent disablement, retirement or redundancy the Board may, in its discretion: • waive the vesting conditions and determine that some or all of the options have vested; or • allow the Managing Director to continue to hold some or all of his unvested options subject to the same vesting conditions (except for continuity of service). Otherwise, if the Managing Director ceases to be employed by the Company for any other reason before the options have vested, all unvested options will lapse.
Clawback	If, in the opinion of the Board, options vest or may vest as a result of certain activities such as fraud, dishonesty or gross misconduct, or breach of duties or obligations, the Board may determine that the options (or any resulting shares) held by the Managing Director will lapse or be forfeited, and/or that he must pay or repay as a debt the proceeds from the sale of options/resulting shares allocated under the plan. This also applies to manifest error, where the Managing Director acts in a manner that adversely impacts the reputation and/or standing of Webjet, breach of employment agreement or occurrence of an event which would otherwise entitle Webjet to immediately terminate the Managing Director's employment.
Change of control	Subject to the Board's overriding discretion, unvested options granted to 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.

Executive KMP Long Term Incentive ("LTI")	
Description	The LTI plan adds a long-term performance-based element to a participant's overall remuneration package. The LTI performance measures focus the efforts of the Executive KMP on the achievement of sustainable long-term value creation for the Group and the shareholders.The Retention Options will vest on 1 December 2022 if, and only if, the relevant Executive KMP continues to be employed by the Webjet Group as at that date.
Performance period	3 years
Opportunity	55% of FAR
Option grant	Eligible Employees are issued options under the LTI plan which will be exercisable into fully paid ordinary shares in the capital of the Company if vesting conditions are satisfied within the set vesting period. Option grants are determined by reference to the fair value of the options at the time of grant. The exercise price for the options granted in FY19 is $12.97 (being the VWAP of Webjet shares traded on ASX in the 30 trading days prior to the commencement of FY19). Once vested, the holder has an exercise period of 24 months from the date of vesting. Participants do not receive dividend entitlements on their options, whether vested or unvested. The key assumptions underpinning the grant of the LTI options are set out in Table 9 in Section 10 of this Report.
Performance measures	The options granted in FY19 are subject to the performance measures outlined below.

TSR CAGR (opportunity of 30% of FAR)

Gate: Company's TSR must be positive.

Assuming the gate is met, the following vesting schedule applies to this tranche:

Webjet actual TSR as against the TSR benchmark	Percentage options that will vest
150% or > 150%	100%
90% -149%	Sliding scale from 33.3% to 99.9%
< 90%	0%

EBITDA CAGR (opportunity of 25% of FAR)

Gate: Positive EBITDA growth.

Assuming the gate is met, the following vesting schedule applies to this tranche:

Webjet EBITDA CAGR as a percentage of EBITDA Benchmark	Percentage options that will vest
150% or > 150%	100%
90% -149%	Sliding scale from 40% to 99.9%
< 90%	0%

- TSR benchmark means the average of the annual median TSR Growth rate over the three-year vesting period of the comparator peer group companies, plus a premium of 20%.
- EBITDA benchmark means the greater of 4% and the average of the annual median EBITDA growth rate over the three-year vesting period of the comparator peer group companies, plus a premium of 20%.
- The peer group of companies comprises the companies listed in the S&P/ASX 200 (ranked by market capitalisation) after excluding resource companies, banks and listed property trusts, with the median EBITDA and TSR Growth rates calculated for each year by reference to the actual performance of those companies in that year. Peer companies will be reset at 1 July of each year in the performance period. Peer companies that are delisted (e.g. due to takeover or merger) or removed from the S&P/ASX 200 Index during the course of any annual period will be excluded from the calculation.

The Company considers the benchmarks to be robust and, while the targets are 'stretch targets', they are achievable and drive and reward the right behaviours (while aligning with shareholder's interests). For instance, achievement of 90% of the target, which is the base level of achievement for vesting under the LTI, requires the Executive KMP to achieve an EBITDA growth rates of 108% of the median growth rates for the peer group companies.

The Committee retains discretion to add further performance measures to supplement the existing relative TSR performance condition.

Board discretion, cessation of employment, change of control and clawback	As outlined above for the Managing Director LTI grant.

b. One off grant of options to Executive KMP

The Company operates in an industry sector (on-line travel) in which there is significant competition, both in Australia and globally, for highly skilled and experienced senior management personnel. There are also substantial financial incentives available to executives willing to change their employment and/or geographic place of work.

Over a period of years, the Company has built a very capable and experienced senior management team in both its B2C and B2B business divisions. The retention of its senior management team, in the longer term, is vitally important to driving the growth of the Company and future value for the shareholders. Accordingly, to reduce the risk of losing any one or more key members of the senior management team, as an adjunct to their annual remuneration, the Company resolved to make a one off grant of options to the members of its senior executive management team (excluding the Managing Director), which options are conditional on those senior employees remaining employed by the Company until at least on 1 December 2022.

One off Options Grant	
Description	A one off grant of options (Retention Options) to ensure continuity of the executive KMP over the long term. All Executive KMP (excluding the MD) were eligible for this grant. The service period required in order for these options to vest is 4 years from grant. The Retention Options will vest on 1 December 2022 if the relevant Executive KMP continues to be employed by the Webjet Group as at that date.
Opportunity	100% of FY19 FAR. The fair value of the Retention Options at the time of grant was $3.30 per option. The number of Retention Options granted to each Executive KMP is detailed in Table 7 in Section 10. For each Executive KMP (excluding the Managing Director), the number of Retention Options was calculated by dividing 100% of their FAR by $3.30. Further, the key assumptions underpinning the determination of the fair value of the Retention Options at the time of grant are set out in Table 9 in Section 10 of this Report. The calculation of fair value was undertaken by an external valuation firm engaged by the Company (whose valuation was then reviewed on behalf of the Committee by a separate external valuation firm). A 'Monte Carlo' pricing model was used to determine 'fair value'.
Conditions	Retention Options issued under this plan will vest (and be exercisable into fully paid ordinary shares in the capital of the Company) only if the Executive KMP participant continues to be employed by the Group up to and including 1 December 2022 (i.e. four years from grant). The exercise price for the Retention Options is $11.97 per option. This was the volume weighted average sale price of Webjet shares on ASX in the 10 trading period in November/December 2018 immediately prior to the formal grant of the Retention Options. Where the share price is less than the exercise price, it is unlikely the participant will exercise the Retention Options resulting in the options lapsing unvested. Where the share price exceeds the exercise price, it is likely the participant will exercise the Retention Options and the actual remuneration realised, subject to any applicable tax, will be the difference between the share price of Webjet shares at the exercise date and the exercise price of the options. The options are not entitled to any dividends. There is a 12-month exercise period after vesting.
Cessation of employment	If a participant ceases employment prior to Retention Options vesting by reason of death, total and permanent disablement, retirement or redundancy, the Board may, in its discretion, waive the Vesting Conditions and determine that some or all of the Options have vested. Otherwise, if cessation of employment occurs for any other reason before the options have vested, all options held by the relevant member of the Executive KMP team will lapse.
Clawback	If, in the opinion of the Board, options vest or may vest as a result of certain activities such as fraud, dishonesty or gross misconduct or breach of duties or obligations by an Executive KMP participant, the Board may determine that the options or any resulting Shares held by that participant will lapse or be forfeited, and/or that participant must pay or repay, as a debt, the proceeds from the sale of the options (or resulting Shares) allocated to him/her under the retention plan.
Change of control	Unvested Retentions Options granted to Executive KMP under the plan do not automatically vest on the occurrence of a change of control event. However, the Board does have an overriding discretion to permit vesting on the occurrence of a change of control event and in other appropriate circumstances. In this context, the Board has agreed with the Executive KMP participants that it will ordinarily permit vesting in circumstances where satisfaction of the vesting condition is precluded by an intervening event beyond the control of the relevant Executive KMP (for example, redundancy and/or termination of employment by the Company without cause).

5. Outcomes in FY19

a. Company performance

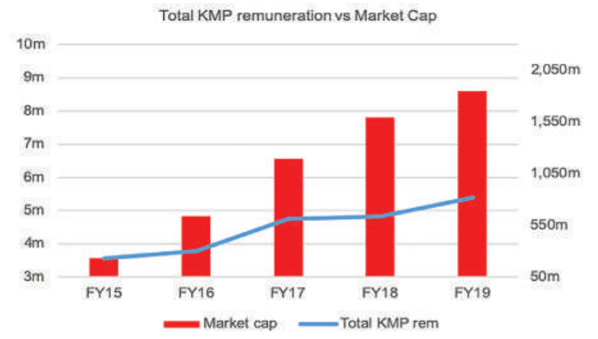
The Company's remuneration structure links remuneration to performance as evidenced in the table below, which provides details of the performance metrics, including TTV (which drives revenue), EBITDA performance (which captures operational earnings), asset growth and TSR (which reflects how shareholders have fared) over the previous five financial years. These metrics (particularly EBITDA performance and relative TSR performance) are also directly linked to the incentive components of Executive KMP remuneration.

Table 1: Company Performance FY15 – FY19

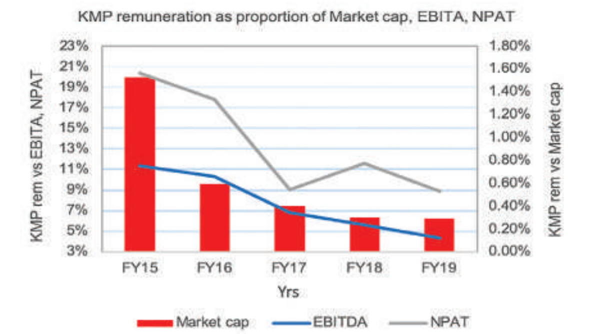
	Growth v 2018	Five year CAGR	FY19	FY18	FY17	FY16	FY15
Financial Metrics ($m)							
Total Transaction Value	27%	31%	3,831	3,012	2,043	1,630	1,266
EBITDA	44%	40%	124.6	86.3	69.9	36.6	31.5
NPAT	45%	26%	60.3	41.5	52.4	21.3	17.5
Assets	40%	64%	1,522	1,084	493	386	203
Market capitalisation	16%	58%	1,847	1,593	1,195	640	233
Share Price ($)		42%	13.62	13.45	12.18	6.99	2.90
Dividend per Share (cents)							
Interim		6%	8.50	8.00	7.50	6.50	7.25
Final		13%	13.50	12.00	10.00	7.25	7.25
TSR (%)	3%	n.a	3%	12%	77%	148%	28%
Directors Remuneration ($m)	40%	9%	0.79	0.57	0.56	0.53	0.53
Executive KMP Remuneration ($m)	10%	23%	4.63	4.26	4.19	3.25	3.04

In addition, over that same five-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).

However, Executive KMP remuneration has not similarly increased – as depicted in Table 1, aggregate Executive KMP remuneration has increased at a 5 year CAGR of 23% compared to an increase in market capitalisation of 8x or CAGR of 58%.



In addition, aggregate KMP Remuneration is continuing to trend downwards as a proportion of the Company's market capitalisation, EBITDA and NPAT (as shown in the adjoining table).



b. Remuneration outcomes

Remuneration outcomes for incentives that vested in FY19 are outlined below.

Table 2: 2019 remuneration outcomes

Performance measure	%vested	(forfeited%)	Result commentary
STI – financial KPI (EBITDA)			
MD	73%[1]	(27%)	The STI outcomes as a percentage of maximum for the MD and other Executive KMP reflects the Board's assessment of Group performance. The Group EBITDA performance was 11% above the adjusted target. The target at the beginning of the year was adjusted upwards to include the contribution of DOTW (since its acquisition in November 2018).
Other Executive KMP	65%[1]	(35%)	
STI – non-financial KPI's			
MD	100%	(0%)	For the Managing Director, as TSR for Webjet of 7% exceeded the median TSR of the relevant comparator entities in the S&P/ASX 200 Index over the prior 24-month period, the threshold for the grant of this component of the STI was achieved.
Other Executive KMP	100%	(0%)	For Executive KMP (other than the Managing Director), this is calculated as 5% of FAR. Vesting is based on achievement of various non-financial business metrics unique to each each Executive KMP, which metrics mainly relate to customer service, employee engagement, integration of acquired businesses, IT innovation and delivery, and other non-financial activities that protect and enhance long term shareholder value. The Board was satisfied that the Executive KMP's performance against the relevant metrics warranted vesting of the full amount. Board has discretion on the amount that vests based on individual KMP performance.
MD – 2017 LTI option grant			The first tranche of the MD's 2017 LTI grant was eligible to vest in September 2018 subject to performance against relative FY18 TSR and EBITDA growth performance conditions.
TSR hurdle	58%	(42%)	Webjet FY18 TSR of 12.2% resulted in 58% vesting (287,362) of the options subject to TSR vesting hurdle. The remaining 212,638 options were forfeited.
EBITDA hurdle	100%	(0%)	Webjet FY18 EBITDA growth of 23% exceeded the EBITDA growth benchmark and resulted in 100% vesting (500,000) of options subject to EBITDA vesting hurdle.
Executive KMP – 2017 LTI grant	100%	(0%)	Under the LTI arrangements which applied for FY 2017 (which are legacy arrangements that no longer operate), the Executive KMP participants received Webjet shares of a value equal to 15% of their FAR. Those shares were subject to a TSR condition (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)) and vest in three equal tranches over three years (2017, 2018 and 2019). The Company's TSR for the 24-month period ended 30 June 2019 was 7%, compared to the benchmark of 2%.

(1) calculated as the percentage of maximum STI.

Total remuneration per Executive KMP is shown in Table 3. Details of Executive KMP LTI grants, vesting, exercise and forfeitures are shown in Table 7 and Table 8 in Section 10.

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 Executive KMP.

Table 3: Executive KMP remuneration – FY19 and FY18

			Short term incentive					
	Year	Salary and fees	Financial KPI	Non-financial KPI	Share-based payments	Post-employment benefits	Other[1]	Total
		$	$	$	$	$	$	$
John Guscic	2019	850,000	435,625	100,000	625,295	–	75,812	2,086,732
	2018	850,000	415,126	100,000	785,789	–	75,812	2,226,727
Shelley Beasley[4]	2019	517,862	156,877	26,737	188,218	16,871	44,318	950,884
	2018	495,298	139,456	25,508	49,267	14,859	36,243	760,631
Tony Ristevski[2]	2019	454,166	140,575	23,958	114,864	25,000	40,725	799,289
	2018	47,646	–	–	–	–	4,250	51,896
Graham Anderson[4]	2019	439,397	130,742	22,282	152,295	6,250	37,510	788,476
	2018	381,248	111,051	20,312	39,565	37,085	32,617	621,880
Michael Sheehy[3]	2019	–	–	–	–	–	–	–
	2018	393,393	114,371	20,920	9,355	25,000	34,080	597,119
Total	2019	2,261,426	863,819	172,977	1,080,672	48,121	198,365	4,625,380
	2018	2,167,586	780,005	166,740	883,976	76,944	183,002	4,258,253

(1) Includes annual leave and long service leave expenses.
(2) Commenced as CFO of the Group on 21 May 2018.
(3) Ceased to be KMP on 21 May 2018.
(4) Increase in FAR arose due to increase in scale and complexity of roles.

6. Executive KMP remuneration in FY20

There will be no major changes in remuneration policy in FY20. The focus will continue to be on policies and settings which encourage management to strive for superior performance and which reward the achievement of targets that are challenging.

There will be a material change to the level of remuneration for the Managing Director in relation to his FAR. With no increase in FAR for three years and in circumstances where the Company has grown substantially in all respects over that three year period, the current FAR of the Managing Director is materially below market (both in terms of his fixed annual remuneration and the overall size of his remuneration package) in comparison with the remuneration paid to the senior executive officers of companies comparable to Webjet (by reference to market capitalisation, complexity and geographic spread of the respective businesses). The remuneration arrangements for the Managing Director for FY20 and FY21 are currently being finalised. When completed, the increase in the FAR component of his remuneration will be back dated to 1 July 2019.

For the other Executive KMP, given the grant of the Retention Options in FY19, there will be no material changes in FAR in FY20. The FAR component of Executive KMP remuneration will be reviewed in FY21.

In respect of the 'at risk' components of Executive KMP remuneration, there will be no changes in the LTI arrangements for any of the Executive KMP for FY20. In FY21, while it is expected that a new LTI arrangement will be put into place for the Managing Director, it is unlikely there will be any material change in the LTI arrangements for the other Executive KMP.

For FY20, the changes in the STI will be limited to minor changes to the performance benchmarks and scales (to improve consistency of the benchmarks and scales applicable to the STI awards available to the Managing Director and other Executive KMP and in recognition of the very significant growth in recent years of the Company's EBITDA).

7. NED fees

a. 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 caliber and requisite skills and experience. When setting fees for individual Directors, account is taken of the responsibilities inherent in the stewardship of the Webjet Group, 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), and the fees paid to directors of comparable ASX listed companies (by market capitalisation).

Consistent with the above overriding philosophy, the overall fee cap for Non-Executive Directors is capped at a maximum sum that is approved by the shareholders. The current fee cap is $850,000, which was approved by shareholders at the Annual General Meeting on 21 November 2018.

As foreshadowed last year and based on recommendations from an independent consultant, and of the Committee, the Board approved the following Non-Executive Director fees for FY19:

Chair	a single fee of $230,000 per annum (this fee is inclusive of all Board and Committee roles undertaken by the Chair)
Non-Executive Directors	a base fee of $100,000 per annum
Board Committees	Committee Chair – $20,000 per annum, Committee member – $10,000 per annum

All fee levels will be reviewed annually, and any changes will be effective from 1 July. There will be no increase in the fees paid to the Non-Executive Directors in FY20.

Non-Executive Directors are entitled to the reimbursement of business expenses incurred (e.g. travel expenses). Non-Executive Directors are not entitled to any payment or benefit on retirement or loss of office. Similarly, the Non-Executive Directors do not participate in any incentive or like schemes (i.e. the Non-Executive Directors have no STI or LTI participation or other entitlements to issued equity or convertible securities).

Table 4: Total Non-Executive Director Remuneration – FY19 (compared to FY18)

Non-Executive Director	Year	Salary and fees	Post-employment benefits	Total
		$	$	$
Roger Sharp	2019	223,301	6,699	230,000
	2018	194,175	5,825	200,000
Don Clarke	2019	127,854	12,146	140,000
	2018	86,758	8,242	95,000
Brad Holman	2019	109,589	10,411	120,000
	2018	82,192	7,808	90,000
Shelley Roberts	2019	109,589	10,411	120,000
	2018	77,626	7,374	85,000
Toni Korsanos(1)	2019	118,721	11,278	129,999
	2018	6,088	5,825	11,914
Rajiv Ramanathan(2)	2019	45,021	–	45,021
	2018	85,000	–	85,000
Total	2019	734,075	50,945	785,020
	2018	531,839	35,075	566,914

(1) Toni Korsanos was appointed a Director of the Company on 1 May 2018.
(2) Rajiv Ramanathan resigned as a Director of the Company on 21 November 2018 (at the conclusion of the 2018 AGM).

b. Share ownership by Non-Executive Directors

Although Webjet does not have a prescribed minimum shareholding requirement for its Non-Executive Directors, all Non-Executive Directors are encouraged to own, and do own, shares in the Company to ensure alignment with shareholders and to encourage an 'ownership' mindset.

8. Role of Remuneration and Nomination Committee

Board

Approves the overall remuneration policy, Non-Executive Director and Executive KMP remuneration and sets CEO scorecards

Remuneration and Nominations Committee (RNC)

Assists in ensuring that remuneration arrangements within the Group are appropriate, mirror the Group's risk framework and are aligned with the long-term interests of shareholders

Management

Provides the RNC with appropriate information to assist with remuneration decisions and recommendations. Communicates with external advisors to ensure the RNC has all relevant information

External Advisers

To ensure the RNC is appropriately informed, advice and information is sought from professional advisers, as required, to supplement its own information and insights and to finalise its remuneration

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. 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). However, no such persons attended meetings of the Committee during the year under review.

The Remuneration Committee seeks external advice where appropriate. In FY19, external advisers have been used in relation to the Retention Options, the determination of fair value for both the LTI and Retention Option grants and the structure of Executive KMP remuneration for FY20.

9. Executive service agreement summary

Each Executive KMP has entered into an employment contract with the Webjet Group. Details of those contracts are set out in the Table 5 and 6 below.

Table 5: Employment contracts

Name	Duration of service agreement	Notice period		Restraint period*
		By executive	By company	
Executive KMP				
John Guscic	Until 30 June 2021	6 months	12 months	12 months
Shelley Beasley	Ongoing	12 months	12 months	12 months
Tony Ristevski	Ongoing	6 months	6 months	12 months
Graham Anderson	Ongoing	12 months	12 months	12 months

* Restrictions on Executive KMP's involvement in any business competitive with any Webjet Group business after termination of employment.

Table 6: Other relevant components of employment contracts

Clause	Description
Termination without cause	By Webjet: • the Board has discretion to make a payment in lieu of notice • if Executive KMP work out their notice period, payment of FAR and part STI as 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 STI is applicable for that year (depending on whether the Executive KMP'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 at year end (all other unvested options will lapse). By Executive KMP: • 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 with cause	• Webjet may terminate an Executive KMP's contract with immediate effect in certain limited circumstances, including for breach of a material provision of the agreement, serious misconduct and/or unsatisfactory performance. • On termination by Webjet for cause, Executive KMP 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 but not then exercised, whether vested or unvested, will lapse. • Only the Managing Director is 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. • 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. • Where an Executive 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.

10. Other disclosures

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

a. LTI award information

Table 7: Executive KMP LTI options in FY2019

	Grants[(1)]	Balance as at 1 July	Granted	Exercised[(3)]	Forfeited[(2)]	Balance as at 30 June	Vested at 30 June	Unvested at 30 June	Options vested during year
John Guscic									
2019	FY18 Grant	3,000,000	–	–	(212,638)	2,787,362	787,362	2,000,000	787,362
	FY13 Grant	1,250,000	–	(1,250,000)	–	–	–	–	–
2018	FY18 Grant	–	3,000,000	–	–	3,000,000	–	3,000,000	–
	FY13 Grant	2,500,000	–	(1,250,000)	–	1,250,000	1,250,000	–	–
Shelley Beasley									
2019	FY19 Grant	–	163,935	–	–	163,935	–	163,935	–
	One-off	–	166,667	–	–	166,667	–	166,667	–
Tony Ristevski									
2019	FY19 Grant	–	149,032	–	–	149,032	–	149,032	–
	One-off	–	151,515	–	–	151,515	–	151,515	–
Graham Anderson									
2019	FY19 Grant	–	134,129	–	–	134,129	–	134,129	–
	One-off	–	136,364	–	–	136,364	–	136,364	–

(1) Refer Table 9 in this Section 10 for summary conditions of each grant.
(2) The 2019 remuneration outcomes supporting amounts vested and forfeited are shown in Table 2 in Section 5.
(3) Options exercised in 2019 comprise 250,000 options with an exercise price of $5.14 and 1,000,000 options with an exercise price of $5.64.

Table 8: Executive KMP LTI performance rights

		Grants[(1)]	Balance as at 1 July	Granted	Vested[(2)]	Forfeited	Balance as at 30 June
Shelley Beasley	2019	Performance Rights	29,682	–	(6,702)	–	22,980
	2018		–	33,033	(3,351)	–	29,682
Graham Anderson	2019	Performance Rights	23,825	–	(5,787)	–	18,038
	2018		–	26,719	(2,894)	–	23,825
Tony Ristevski[(3)]	2019	n.a	–	–	–	–	–

(1) Refer Table 9 in this Section 10 for summary of conditions of each grant.
(2) The 2019 remuneration outcomes supporting amounts vested and forfeited are shown in Table 2 in Section 5.
(3) Tony Ristevski did not participate in the plan as he joined the Company after the final grant.

Table 9: LTI key assumptions

	MD – options	Executive KMP options		Executive KMP performance rights	
	FY18 Plan	**FY19 Plan**	**One-off**	**FY18 Plan**	**FY17 Plan**
Vesting basis:					
– Tenure	Yes	Yes	Yes	Yes	Yes
– Performance	Yes	Yes	No	Yes	Yes
Performance hurdle	EBITDA/TSR	EBITDA/TSR	n/a	EBITDA/TSR	EBITDA/TSR
Performance hurdle vesting assumption	Met/not met	Met/not met	Met/not met	Met/not met	Met/not met
Pricing model	Binomial	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Exercise price ($)	12.50 to 16.00	12.97	11.97	Nil	Nil
Dividend yield (%)	1.79	1.79	1.66	0	0
Risk-free interest rate (%)	1.75 to 1.91	1.87	2.2	1.99	1.6
Expected volatility (%)	30	35	35	30	39 to 44
Expected life (years)	0.85 to 2.85	2.86	4	2.91	1.25 to 3.25
Fair value per share ($)	0.49 to 0.69	1.82 to 1.88	3.3	4.9 to 10.76	3.90 to 4.10
Vesting dates	30 September 2018 to 30 September 2020	30 June 2021	1 December 2022	30 June 2020	30 June 2019
Expiry date	3 years after vesting date	17 September 2023	12 months after vesting date	2 years after vesting date	2 years after vesting date

b. Shareholdings of KMP

The number of ordinary shares 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 2019 are shown in Table 10 below.

Table 10: Shares

	Year	Balance as at 1 July Number	Received on exercise of LTI Number	Other movements Number	Balance at 30 June Number
Roger Sharp	2019	121,800	–	34,787	**156,587**
	2018	104,400	–	17,400	**121,800**
Don Clarke	2019	31,067	–	3,452	**34,519**
	2018	23,200	–	7,867	**31,067**
Brad Holman	2019	49,607	–	5,513	**55,120**
	2018	30,520	–	19,087	**49,607**
Shelley Roberts	2019	7,417	–	9,525	**16,942**
	2018	2,500	–	4,917	**7,417**
Toni Korsanos	2019	–	–	5,000	**5,000**
	2018	–	–	–	**–**
John Guscic	2019	4,287,836	1,250,000	1,461,709	**6,999,545**
	2018	2,206,145	1,250,000	831,691	**4,287,836**
Shelley Beasley	2019	184,454	3,351	(72,387)	**115,418**
	2018	139,282	3,351	41,821	**184,454**
Tony Ristevski	2019	–	–	5,000	**5,000**
	2018	–	–	–	**–**
Graham Anderson	2019	2,894	2,894	966	**6,754**
	2018	–	2,894	–	**2,894**

c. 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 FY19, 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. During the year ended 30 June 2019, there were 400,000 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.

d. KMP Transactions

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. During the period, there have been no transactions with those entities and not amounts were owed by Webjet to entities associated with, or personally related to the Directors.

As at 30 June 2019, the Managing Director has a loan owing to the Company of $1,635,671. The loan is at commercial interest rates and secured against the shares exercised under the option funded by the loan. Full repayment is not due until the Managing Director ceases employment.

During the year, there were no repayments or advances and interest of $80,372 was charged on the loan by the Company.

This Remuneration Report was approved by the Board on 22 August 2019 and has been signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001 (Cth).

Financial Report

For the year ended 30 June 2019

Consolidated financial statement

Notes to the consolidated financial statements

The Financial Report has been streamlined to enhance the readability and usefulness of the financial statements. In streamlining the financial statements, certain items have been re-arranged, summarised or expanded as appropriate. Notes to the financial statements have also been re-arranged. Consequently, certain comparative disclosures have been aligned to the current year disclosures. There has been no change to total or net amounts, only the classification or presentation format, or removal of duplications that may have occurred in previous financial statements.

Consolidated statement of profit and loss and other comprehensive income

For the year ended 30 June 2019

	Notes	Year ended 30 June 2019 $m	2018 $m
Revenue from customers	1.2	366.4	761.6
Cost of providing travel services[(1)]		–	(470.6)
Other income		1.0	1.0
		367.4	**292.0**
Employee benefits	1.3	(108.9)	(88.3)
Operating expenses	1.4	(132.8)	(115.3)
Other non-operating expenses	1.4	(1.6)	(1.1)
Profit before interest, tax and depreciation		**124.1**	**87.3**
Finance costs	2.2	(13.4)	(6.7)
Depreciation and amortisation		(36.0)	(22.0)
Profit before income tax expense		**74.7**	**58.6**
Income tax expense	4.3	(14.4)	(17.1)
Net profit after tax		**60.3**	**41.5**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		8.7	17.2
Changes in the fair value of hedging instruments		(5.0)	(4.4)
		3.7	**12.8**
Items that have been subsequently reclassified to profit or loss			
Cash flow hedges recycled to profit or loss		1.0	0.3
		1.0	**0.3**
Other comprehensive income for the period, net of income tax		**4.7**	**13.1**
Total comprehensive income for the period		**65.0**	**54.6**

		Cents per share	Cents per share
Earnings per share:			
Basic (cents per share)	1.6	47.0	36.0
Diluted (cents per share)	1.6	46.8	35.6

(1) As a result of the adoption of AASB 15 and certain changes to trading terms and conditions, the Group is considered an agent in providing travel services and only recognises net commission receivable as revenue. For 2019, all revenue from customers is shown on a net basis of revenue less cost of providing travel services. For 2018, a portion of revenue from customers was presented as principal (i.e. gross revenues with a corresponding 'Cost of providing travel services') and a portion of revenue from customers was presented as agent (i.e. net revenue after deducting corresponding 'Cost of providing travel services'). Further information on the adoption of AASB 15 is shown in note 1.2. The 2018 comparatives have not been restated.

Notes to the consolidated financial statements are included on pages 54 to 79.

Consolidated balance sheet

As at 30 June 2019

	Notes	Year ended 30 June 2019 $m	2018 $m
Current assets			
Cash and cash equivalents		211.4	190.8
Trade receivables and other assets	2.1	368.1	272.3
Loan receivable(1)		–	6.9
Total current assets		**579.5**	**470.0**
Non-current assets			
Intangible assets	3.1	907.4	583.2
Property, plant and equipment	3.3	23.3	22.3
Deferred tax assets	4.3	9.6	6.4
Other non-current assets	2.1	1.9	1.8
Total non-current assets		**942.2**	**613.7**
Total assets		**1,521.7**	**1,083.7**
Current liabilities			
Trade payables other liabilities		550.5	450.9
Borrowings	2.2	18.8	32.2
Other current liabilities	2.3	47.4	20.2
Total current liabilities		**616.7**	**503.3**
Non-current liabilities			
Borrowings	2.2	187.1	90.5
Deferred tax liabilities	4.3	34.8	37.5
Other non-current liabilities	2.3	38.9	9.6
Total non-current liabilities		**260.8**	**137.6**
Total liabilities		**877.5**	**640.9**
Net assets		**644.2**	**442.8**
Equity			
Issued capital		510.8	329.2
Reserves		(2.7)	12.0
Retained earnings		136.1	101.6
Total equity		**644.2**	**442.8**

(1) Loan receivable with Thomas Cook fully repaid in 2019.

Notes to the consolidated financial statements are included on pages 54 to 79.

Consolidated statement of changes in equity

For the year ended 30 June 2019

	Issued capital $m	Share based payments reserve $m	Other reserve[1] $m	Foreign currency translation reserve $m	Retained earnings $m	Total equity $m
Balance at 1 July 2017	136.5	1.5	(1.1)	(1.9)	81.5	216.3
Profit for the period	–	–	–	–	41.5	41.5
Amounts in reserves recycled to the income statement	–	–	0.3	–	–	0.3
Other comprehensive income for the period, net of income tax	–	–	(4.4)	17.2	–	12.8
Total comprehensive income for the period	**–**	**–**	**(4.1)**	**17.2**	**41.5**	**54.6**
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs and tax[2]	157.0	–	–	–	–	157.0
Issue of shares as consideration for business combination[3]	28.7	–	–	–	–	28.7
Issue of shares exercised through options[4]	6.2	–	–	–	–	6.2
Share based payment expense recognised for the period	–	1.3	–	–	–	1.3
Transfer from option reserve	0.9	(0.9)	–	–	–	–
Payment of dividends	–	–	–	–	(21.3)	(21.3)
Balance at 30 June 2018	**329.2**	**1.9**	**(5.2)**	**15.3**	**101.7**	**442.8**
Profit for the period	–	–	–	–	60.3	60.3
Amounts in reserves recycled to the income statement	–	–	1.0	–	–	1.0
Other comprehensive income for the period, net of income tax[5]	–	–	(1.0)	4.7	–	3.7
Total comprehensive income for the period	**–**	**–**	**0.0**	**4.7**	**60.3**	**65.0**
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs and tax[2]	148.9	–	–	–	–	148.9
Issue of shares as consideration for business combination[3]	25.2	–	–	–	–	25.2
Issue of shares exercised through options[4]	6.9	–	–	–	–	6.9
Share based payment expense recognised for the period	–	1.8	–	–	–	1.8
Transfer from share based payment reserve	0.6	(0.6)	–	–	–	–
Recognition of the put option liability to minority shareholders[6]	–	–	(20.6)	–	–	(20.6)
Payment of dividends	–	–	–	–	(25.9)	(25.9)
Balance at 30 June 2019	**510.8**	**3.1**	**(25.8)**	**20.0**	**136.1**	**644.2**

(1) Made up of cashflow hedge reserve of ($5.2) million (2018: ($5.2) million), and the available for sale reserve of $0.1 million (2018: $0.1 million) and a business combination reserve of ($20.6) million.
(2) FY19 rights issue related to DOTW acquisition. A total of 13.3 million shares were issued in November 2018 at $11.50 per share. Transaction costs incurred amounted to $4.7 million. FY18 rights issue related to JacTravel acquisition. A total of 16.4 million shares were issued in August 2017 at $10.00 per share. Transaction costs incurred amounted to $6.2 million.
(3) FY19 relates to the issue of 2.2 million shares at $11.61 per share to fund a portion of the DOTW acquisition. Refer to Note 3.2. FY18 relates to the issue of 2.6 million shares at $10.94 per share to fund a portion of the JacTravel acquisition.
(4) Relates to the issue of 1.3 million shares on the exercise of the options vesting under the Managing Director share option plan in 2019 and 2018.
(5) Current period movement includes a transfer from the foreign currency translation reserve to the cashflow hedge reserve of $4.0 million relating to the portion of cross currency interest rate swaps that are designated as cashflow hedge reserves.
(6) During the year the Group established Umrah Holidays, a joint venture in which the Group holds a 51% equity interest. The Group has an option to acquire the other 49% held by outside shareholders in tranches at a price to be determined between 2020 and 2024. Under accounting standards, the value of the put has been recognized as a liability to reflect the estimated present value of outflows to acquire the minority share, with the corresponding debit recognised in equity in the business combination reserve.

Notes to the consolidated financial statements are included on pages 54 to 79.

Consolidated statement of cash flows

For the year ended 30 June 2019

	Notes	Year ended 30 June 2019 $m	Year ended 30 June 2018 $m
Net profit after tax		60.3	41.5
Add back:			
Depreciation and amortisation	3.1, 3.3	36.0	22.0
Finance cost, net of investment income		12.4	5.7
Income tax expense	4.3 (b)	14.4	17.1
Earnings before interest, tax, depreciation, amortisation		**123.1**	**86.3**
Adjusted for changes in working capital:			
(Increase)/decrease in trade debtors and other receivables		(12.7)	(44.8)
(Decrease)/increase in trade payables and other liabilities		(41.7)	89.7
Non cash items		1.8	1.3
Cash flow from operating activities before interest and tax paid		**70.5**	**132.5**
Net finance cost and investment income paid		(12.5)	(5.1)
Income tax expense paid		(12.3)	(6.6)
Net cash flows from operating activities		**45.7**	**120.8**
Purchase of property, plant and equipment	3.3	(5.3)	(9.7)
Purchase of subsidiary net of overdraft assumed / cash acquired	3.2 (d)	(209.6)	(320.3)
Purchase of intangible assets	3.1	(27.4)	(18.1)
Dividends received		0.1	0.1
Net cash outflows from investing activities		**(242.2)**	**(348.0)**
Payment of dividends		(25.9)	(21.3)
Proceeds from issue of share capital		160.4	170.2
Proceeds from borrowings		107.6	155.2
Repayments of borrowings		(17.4)	(68.4)
Net cash inflows from financing activities		**224.7**	**235.7**
Net increase in cash and cash equivalents		**28.2**	**8.5**
Cash and cash equivalents at the beginning of period		190.8	178.1
Effects of foreign exchange translation on cash and cash equivalents		(7.6)	4.2
Cash and cash equivalents at end of period		**211.4**	**190.8**

Notes to the consolidated financial statements are included on pages 54 to 79.

1 Performance

1.1 Segment information

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.

The Managing Director considers that all members of the group provide the same service, being Travel Bookings. However, there are two distinct classes of customer; consumers and businesses. The reportable segments of the Group are – Business to Consumer Travel (B2C Travel) and Business to Business Travel (B2B Travel).

The segment information provided to the Managing Director for the year ended 30 June is set out in the tables below.

	12 months ended 30 June							
	B2C 2019 $m	B2C 2018 $m	B2B 2019 $m	B2B 2018 $m	Corporate 2019 $m	Corporate 2018 $m	Total 2019 $m	Total 2018 $m
Total transaction value[1]	1,677.0	1,658.0	2,154.0	1,354.0	–	–	3,831.0	3,012.0
Revenue[2]	181.9	177.0	184.5	114.0	–	–	366.4	291.0
Operating costs	(108.6)	(105.1)	(117.2)	(86.8)	(15.9)	(11.7)	(241.7)	(203.6)
EBITDA before other non-operating expenses	**73.3**	**71.9**	**67.3**	**27.2**	**(15.9)**	**(11.7)**	**124.7**	**87.4**
Other non-operating expenses							(1.6)	(1.1)
Net interest[3]							(12.4)	(5.7)
Depreciation, amortisation and acquired amortisation							(36.0)	(22.0)
Profit before tax							**74.7**	**58.6**
Income tax expense							**(14.4)**	**(17.1)**
Profit after tax							**60.3**	**41.5**

(1) Total transaction value (TTV) is the gross transaction price on a booking. This is used by management as a performance indicator for the segments.

(2) Excludes interest income. The Group is considered an agent in providing travel services and only recognises net commission receivable as revenue. Net revenue is calculated as gross revenue less cost of providing travel services.

(3) Includes interest income

Split of segment revenue and non-current assets by geography based on domicile of legal entity and does not reflect actual destination or source market.

	Revenue		Non-current assets[1]	
	2019 $m	2018 $m	2019 $m	2018 $m
Australia	148.5	145.0	36.4	35.9
New Zealand	33.4	32.0	91.0	85.6
Total B2C	**181.9**	**177.0**	**127.4**	**121.4**
Dubai	143.6	52.6	566.1	274.0
UK[2]	6.0	52.7	229.6	202.2
Other	34.9	8.7	9.5	9.6
Total B2B	**184.5**	**114.0**	**805.2**	**485.8**
Total	**366.4**	**291.0**	**932.6**	**607.2**

(1) Excludes deferred tax assets.

(2) Decrease in UK revenue arose from the migration of customer contracts to Dubai.

1.2 Revenue from customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted AASB 15 using the cumulative effect method (with practical expedients of not restating comparatives), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). The cumulative effect of initially applying the standard on a line-by-line basis was nil, as the timing of revenue recognition has not materially changed.

(a) Revenue streams

An overview of the Group's major revenue streams is shown below.

Major revenue stream	Performance obligation	Transaction price calculated as	Timing of revenue recognition
Booking commission revenue	Successful booking completed	Gross booking value less payable to supplier or percentage of booking value	• Point in time • On booking for flights • On check-in for hotel bookings
Supplier rebates(1)	Use of supplier services above an agreed threshold	Variable based on the contractual terms	Over time when it is reasonably certain the agreed threshold will be exceeded
Other ancillary revenue (marketing, advertising, merchant fees, insurance commissions)	Service provided	As per contract with customer, percentage of transaction value	Point in time and over time

(1) Relates to incentives or lump sum amounts that are received from suppliers from time-to-time. The recognition pattern is dependent on the specific terms of each contract. The revenue is only recognised upfront where there has been a distinct service transferred upfront, otherwise it is recognised over the term of the contract in line with the delivery of the performance obligation. The revenue can be either fixed or variable and is constrained where contract terms require the supplier to be refunded in part or full upon termination of the contract.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Significant financing component

The Group applies the practical expedient in that it does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Cancellations

Revenue is recognised when the booking is non-cancellable or to the extent that the amount received is non-refundable under the cancellation policy related to the travel booking.

1.2 Revenue from customers (continued)

(b) Disaggregation of revenue

Revenue by segment, disaggregated by major revenue stream and timing of revenue recognition is as follows:

	Revenue recognition	B2C $m	B2B $m	Total $m
Booking commission revenue	Point in time	143.0	164.8	307.8
Supplier rebates	Over time	27.4	3.6	31.0
Other ancillary revenue	Over time	5.8	16.1	21.9
	Point in time	5.7	–	5.7
Total revenue from contracts with customers[1]		**181.9**	**184.5**	**366.4**

(1) Excludes interest income.

(c) Contract assets and contract liabilities

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in AASB 15 to describe such balances.

These balances are included in trade and other receivables, and trade and other payables in the balance sheet.

	B2C $m	B2B $m	Total $m
Contract assets	9.6	8.7	18.3
Contract liabilities	(2.6)	(3.5)	(6.1)

Contract assets relate to revenue accrued but not invoiced and contract liabilities relate to cash received in advance of the booking or check in date. Contract assets and contract liabilities are typically realized within three to six months from initial recognition.

(d) Significant judgements – the Group is an agent

The Group has concluded that it acts as an agent in providing online travel booking services. Webjet's performance obligation is to arrange for the provision of flights, hotel rooms or other ancillary travel related products by another party (being the airline, hotel, car hire company). For this service, Webjet recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for booking. Webjet's commission can either be based on a booking fee, or the residual of the amount received from the customer after paying the associated cost to the supplier of the travel service.

Prior to the adoption of AASB 15, there were some instances where Webjet was considered a principal and presented amounts receivable from the customer as Revenue, and the amount paid to the travel service provider (hotel or airline) was presented in a separate line as "Cost of providing travel service".

Under AASB 15, Webjet is treated as an agent, and therefore now presents the residual commission received or receivable as Revenue. Terms and conditions have also been amended to reflect this change. The cost of travel services provided is no longer presented as a separate line. Webjet has not restated comparatives, as permitted under the practical expedient provisions under AASB 15. As a result, a comparison of gross revenue on the face of the income statement will not be meaningful as the current period revenue is presented net of the cost of providing travel services.

1.3 Employee benefit expenses

Employee benefits comprise salaries (basic pay and benefits), on costs (retirement contributions, payroll taxes), share based payments, incentives and other employee related expenses.

Total employee benefit expenses for the year is as follows:

	Notes	Year ended 30 June 2019 $m	2018 $m
Salaries		88.6	74.4
Salary on costs (post employment contribution and payroll taxes)		7.3	5.7
Share based payment expense	(a)	1.8	1.3
Incentives		5.6	5.0
Other employee benefits		5.6	1.9
Total employee benefit expense		**108.9**	**88.3**

(a) Share based payment expense

Senior KMP including the Managing Director of the Group receive remuneration in the form of share-based payments, whereby senior KMP receive equity instruments as consideration for services rendered.

The following is a summary of the share-based payment arrangements of the Group:

Managing Director Options	Shareholders approved the grant of 3,000,000 options to the Managing Director at the Annual General Meeting on 22 November 2017. 1,000,000 options will vest in 2018, 2019 and 2020 subject to certain performance measures. Vesting of 50% of the options is conditional upon the Webjet TSR growth achieving the upper quartile of the median of the S&P ASX 200 TSR growth (TSR benchmark) for the relevant year. Vesting of the other 50% of the options is conditional upon the Webjet EBITDA growth achieving 120% of the A&P ASX 200 Average EBITDA Growth Rate for the relevant financial year (EBITDA Benchmark).
Executive Options – on-going	Senior executives are issued options under the LTI plan which will be exercisable into fully paid ordinary shares in the capital of the Company if vesting conditions are satisfied within the set vesting period, up to a maximum of 55% of fixed annual remuneration. The two tranches of options granted are subject to the performance measures being Total Shareholder Return and EBITDA CAGR over 3 years.
Executive Options – one-off	A one off grant of options (Retention Options) to ensure continuity of the executive KMP over the long term. All Executive KMP (excluding the MD) were eligible for this grant. The service period required in order for these options to vest is 4 years from grant date. The Retention Options will vest on 1 December 2022 if, and only if, the relevant Executive KMP continues to be employed by the Webjet Group as at that date.
Executive Performance Rights	Up until 2019, performance rights were issued to senior executives under the Employee Share Plan. The performance rights vest subject to the Group TSR and EBITDA performance in comparison to the comparator group on an annual basis.

The number of options or rights under the above plans during the period is as follows:

Type	Grants	Balance at beginning of the year	Granted	Exercised	Forfeited	Balance at the end of the year	Vested at 30 June	Unvested at 30 June	Vested during year
Managing Director									
Options	FY18 Grant	3,000,000	–	–	(212,638)	2,787,362	787,362	2,000,000	787,362
Options	FY13 Grant	1,250,000	–	(1,250,000)	–	–	–	–	–
Executive KMP and other senior executives									
Options	FY19 Grant	–	1,108,204	–	–	1,108,204	–	1,108,204	–
Options	One-Off	–	1,038,788	–	–	1,038,788	–	1,038,788	–
Rights	FY18 Grant	150,334	–	–	–	150,334	–	150,334	–
Rights	FY17 Grant	128,872	–	(26,474)	–	102,398	27,383	75,015	27,383

1.3 Employee benefit expenses (continued)

The key terms of the share-based payment arrangements in existence, as well as key assumptions used to determine the fair value at grant date are summarised below:

	MD options	Executive KMP options		Executive KMP performance rights	
	FY18 Plan	FY19 Plan	One-off	FY18 Plan	FY17 Plan
Vesting basis:					
Tenure	Yes	Yes	Yes	Yes	Yes
Performance	Yes	Yes	No	Yes	Yes
Performance hurdle	EBITDA/TSR	EBITDA/TSR	n/a	EBITDA/TSR	EBITDA/TSR
Performance hurdle vesting assumption	Met/not met	Met/not met	Met/not met	Met/not met	Met/not met
Pricing model	Binomial	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Exercise price ($)	12.50 to 16.00	12.97	11.97	Nil	Nil
Dividend yield (%)	1.79	1.79	1.66	0	0
Risk-free interest rate (%)	1.75 to 1.91	1.87	2.2	1.99	1.6
Expected volatility (%)	30	35	35	30	39 to 44
Expected life (years)	0.85 to 2.85	2.86	4	2.91	1.25 to 3.25
Fair value per share ($)	0.49 to 0.69	1.82 to 1.88	3.3	4.9 to 10.76	3.90 to 4.10
Vesting dates	30 September 2018 to 30 September 2020	30 June 2021	1 December 2022	30 June 2020	30 June 2019
Expiry date	3 years after vesting date	17 September 2023	12 months after vesting date	2 years after vesting date	2 years after vesting date

Refer to the Remuneration in the Directors report for details on vesting conditions.

Expected volatility has been formulated with reference to market observations for Webjet and the comparator companies. The volatility estimates are based on weekly observations for periods ranging for three years, consistent with the assumed life of the instruments. As required by AASB 2, market-based conditions such as share price and TSR hurdles are incorporated within the valuation of the option or right. Non-market conditions such as tenure and EBITDA performance are not incorporated in the fair valuation of the instruments. Instead they are taken into account in assessing the probability of vesting and therefore the amount of share based payment expense for the year.

The cost of equity settled transactions is determined by the fair value at grant date using an appropriate valuation model. That cost is recognised in share-based payment expense, together with a corresponding increase in equity (share based 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.

(b) Key management personnel compensation

The KMPs of the Group comprise the Chairman, Non-Executive Directors, the Managing Director, Group Chief Commercial Officer, Group Chief Technology Officer and Group Chief Financial Officer. Remuneration paid to the KMPs is shown below:

	Year ended 30 June	
	2019 $m	2018 $m
Short-term employee benefits	4.2	3.8
Post-employment benefits	0.1	0.1
Share based payments	1.1	0.9
Key management personnel compensation	**5.4**	**4.8**

Detailed remuneration disclosures are provided in the Remuneration Report.

1.4 Other expenses

	Year ended 30 June 2019 $m	2018 $m
(i) Other operating expenses comprises:		
Marketing expenses	(38.9)	(39.2)
Operating expenses	(45.5)	(41.1)
Technology expenses	(21.5)	(13.6)
Administrative expenses	(14.8)	(9.7)
Other expenses	(12.1)	(11.7)
Total other operating expenses	**(132.8)**	**(115.3)**
(ii) Other non-operating expenses comprises:		
Business acquisition and integration costs[(1)]	(15.2)	(1.1)
Reversal of earn-out liability[(2)]	18.5	–
Write off of impaired software[(3)]	(4.9)	–
Total non-operating expenses	**(1.6)**	**(1.1)**

(1) During the period, business acquisition costs were incurred on acquisition of DOTW Holdings Group (refer Note 3.2) as well as the integration of the combined business to drive operational efficiency and realise synergies available. Acquisition costs included additional advisor costs and due diligence costs required. Unlike in the JacTravel acquisition in 2017, additional integration costs comprising redundancies from streamlining the workforce, merging office footprint and integration of software platforms were incurred to effectively and efficiently merge the larger B2B business.

(2) The reversal of earn-out liability arises from the reassessment of the earnout liability on the DOTW acquisition which resulted in a reduction of the forecast payment to the sellers of DOTW Holdings Group. As required by accounting standards, the reversal is recognized in the income statement.

(3) Write off of impaired software relates to accounting software that is being replaced for scalable and more fit-for-purpose travel specific accounting software.

1.5 Remuneration of auditors

	Year ended 30 June 2019 $ 000	2018 $ 000
Audit and review of financial statements	1,277	799
Tax related services	271	248
Other non-audit services	853	1,380
Total remuneration	**2,401**	**2,427**

It is the Group's policy to engage Deloitte on assignments additional to their statutory audit duties where Deloitte's expertise and experience with the Group are important. These assignments are principally tax compliance services, assurance related due diligence reporting on acquisitions, or where Deloitte is awarded assignments on a competitive basis which do not impair independence. It is the Group's policy to seek competitive tenders for major consulting projects.

1.6 Earnings per share

Earnings per share is calculated as net profit after tax divided by the weighted average number of ordinary shares in issue. Diluted earnings per share is calculated as net profit after tax divided by the weighted average number of shares in issue adjusted for dilutive potential ordinary shares which at Webjet arise from employee share options and performance rights.

The weighted average number of shares used as the denominator are as follows:

	Year ended 30 June	
	2019 No of shares (m)	**2018 No of shares (m)**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	128.3	115.1
Adjustments for employee options and performance rights[1]	0.6	1.3
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**129.0**	**116.5**

(1) Options granted to the Managing Director and senior KMP 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.

1.7 Dividends

Dividends declared and paid during the year were as follows:

	Year ended 30 June		Year ended 30 June	
	2019 cps	**2018 cps**	**2019 $m**	**2018 $m**
Final dividend for the prior period	12.0	10.0	14.4	11.8
Interim dividend for current year	8.5	8.0	11.5	9.5

In addition to the above dividends, since period end the Directors have declared a final dividend of 13.5 cents per fully paid ordinary share (2018: 12.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 10 October 2019 out of retained earnings at 30 June 2019, but not recognised as a liability at period end, is $18.3 million.

Franking credit account:	Year ended 30 June	
	2019 $m	**2018 $m**
Adjusted franking account balance[1]	12.3	7.9
Impact on franking account balance of dividends not recognised	(7.8)	(6.1)
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018: 30%)	**4.5**	**1.8**

(1) 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.

Future changes to franking percentage

With the increase in the contribution of net profit from non-Australian jurisdictions, the capacity of the Group to maintain 100% franking on dividends declared will reduce. This may necessitate a decrease in the franking percentage in future years, to a rate yet to be determined.

2 Working capital and borrowings

2.1 Trade Receivables and other assets

Trade receivables and other assets are recognised initially at fair value and subsequently at amortised cost, less provision for credit loss allowance. Trade receivables are classified as loans and receivables.

	Year ended 30 June 2019 $m	2018 $m
Trade receivables	347.5	252.6
Contract assets	18.3	15.0
Credit loss allowance	(24.6)	(6.6)
	341.2	**261.0**
Prepayments	6.3	6.0
Margin deposit	–	3.8
Other current assets	20.6	1.5
Total trade receivables and other assets	**368.1**	**272.3**
Other non-current assets		
Loans to related parties[1]	1.6	1.6
Other financial assets	0.3	0.2
	1.9	**1.8**

(1) In the 2016 financial year the Board approved to provide John Guscic with a limited recourse loan of $1.5 million, 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. During the year, no amounts were advanced (2018: nil) and interest was charged (at market interest rates) of $0.1 million (2018: $0.1 million).

Receivables ageing, contract assets and credit risk allowance

30 June 2019	**B2C $m**	**B2B $m**	**Other receivable $m**	**Total $m**
Current	56.6	183.7	16.2	256.5
30 to 90 days	0.5	40.5	–	41.0
90 to 180 days	0.2	7.3	–	7.5
over 180 days	–	42.5	–	42.5
	57.3	**274.0**	**16.2**	**347.5**
Contract assets	9.6	8.7	–	18.3
	66.9	**282.7**	**16.2**	**365.8**
Allowance based on historic credit losses				(6.8)
Adjustment for expected changes in credit risk				(17.8)
Total trade and other receivables				**341.2**

Impairment of trade receivables

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. AASB 9 replaces the ‘incurred loss’ model in AASB 139 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to receivables and accrued or unbilled income (contract assets). Under AASB 9, credit losses are recognised earlier than under the previous standards (AASB 139).

The group applies the AASB 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Expected credit losses are based on the difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Group expects to receive.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled income and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

2.1 Trade Receivables and other assets (continued)

The expected loss rates are based on the payment profiles of total transaction value (TTV) over a period of 24 months before 30 June 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables such as GDP, and unemployment rate of the regions in which the customer operates, and accordingly adjusts the historical loss rates if there are material deteriorations to these macroeconomic indicators identified.

The credit loss allowance is calculated by applying the Group credit matrix to the ageing of trade receivables as below. Other receivables represent advance payments to hotel suppliers and non-trading receivables mainly from tax authorities which do not pose a credit risk to the Group.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, for instance when the customer has been declared bankrupt, cannot be located or is unable to meet the agreed periodic payments under a payment plan with the Group.

As a result of the adoption of AASB 9, any impairment of financial assets is presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. There has been no impairment of financial assets during the period. The Group has applied the exception under AASB 139 to not restate comparatives as the credit loss allowance under AASB 9 is materially unchanged to that recognised under AASB 139 in previous periods.

The movement in the credit loss allowance was as follows:

	Total $m
Opening credit allowance	(6.6)
Arising from business combinations	(19.2)
Increase in credit allowance recognised in profit or loss	–
Impact of FX translation	1.2
Closing credit loss allowance	**(24.6)**

Credit risk

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

The majority of trade receivables are with debtors that operate in the travel industry. Due to the low value, high volume transactional nature of the travel industry, the Group does not have any material credit risk exposure to a single debtor.

The carrying amount of financial assets in the financial statements, net of any impairment losses and credit loss allowances, represents the Group's maximum exposure to credit risk.

2.2 Borrowings and Finance Costs

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.

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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(a) Breakdown of borrowings

	Terms	Maturity	Year ended 30 June 2019 Current $m	Year ended 30 June 2019 Non-current $m	Year ended 30 June 2018 Current $m	Year ended 30 June 2018 Non-current $m
Sunhotels	Principal & Interest	Sep 19	9.1	–	4.0	9.1
Thomas Cook	Principal & Interest	Sep 21	9.7	7.1	8.2	16.4
JacTravel(1)	Interest Only	Aug 22	–	80.0	20.0	65.0
Destinations of the World	Interest Only	Nov 21	–	50.0	–	–
Destinations of the World	Interest Only	Nov 23	–	50.0	–	–
Total Borrowings			**18.8**	**187.1**	**32.2**	**90.5**

(1) During the year, the JacTravel loans was renegotiated from principal and interest to an interest only loan, resulting in a reclassification to non-current.

(b) Movement in borrowings

	Opening Balance 1 July 2018 $m	Drawdowns 2019 $m	Repayments 2019 $m	Reclass to current 2019 $m	Non Cash (FX) 2019 $m	Closing Balance 30 June 2019 $m
Current borrowings	32.2	–	(17.4)	4.1	–	18.8
Non-current borrowings	90.5	100.0	–	(4.1)	0.7	187.1
Total borrowings	**122.7**	**100.0**	**(17.4)**	**–**	**0.7**	**205.9**

(c) Compliance with loan covenants

The loan agreement used to fund the Destinations of the World, JacTravel, Sunhotels acquisition and Thomas Cook arrangement incorporate loan covenants such as operating leverage ratio, interest cover ratio and gearing ratio which are consistent with market practice.

Webjet Limited has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting periods.

(d) Finance costs

	Year ended 30 June 2019 $m	Year ended 30 June 2018 $m
Interest expense	6.4	3.4
Option premium expenses on hedging instruments	7.0	3.3
Total	**13.4**	**6.7**

2.3 Other liabilities

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 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 and are measured as the present value of expected future payments to be made using the projected unit credit method.

Employee liabilities 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.

	Notes	Year ended 30 June 2019 $m	 2018 $m
Current liabilities			
Contract liabilities		6.1	7.8
Provisions(1)		11.0	4.8
Derivative financial instruments	4.4	1.9	1.0
Current tax liabilities		13.3	6.3
Deferred consideration(2)		14.5	–
Lease incentive liability		0.6	0.3
		47.4	**20.2**
Non-current liabilities			
Provisions(1)		0.4	1.7
Derivative financial instruments	4.4	12.6	7.0
Deferred consideration(2)		5.3	–
Other non-current liabilities(3)		20.6	0.9
		38.9	**9.6**

(1) Mainly comprises employee entitlements such as annual leave, long service leave and end of contract gratuities payable.

(2) Relates to the residual deferred consideration and earn-out on the DOTW acquisition (refer note 3.2). Subsequent to initial recognition of the earn-out at acquisition, the amount payable has been reassessed and changes recognised in the statement of profit or loss (refer note 1.4).

(3) Included in other non-current liabilities is the value of the put option contract on the establishment of Umrah Holidays. Webjet has the option to acquire the remaining 49% interest in Umrah Holidays held by external shareholders. As required by accounting standards, the option has been recognised in non-current liabilities. The liability is calculated as the present value of future payments to acquire the minority interest.

3 Non-current assets

3.1 Intangible assets

Intangible assets comprise goodwill, trademarks, capitalised development costs and other identifiable intangibles.

Goodwill

Goodwill for the Group arises on business acquisitions and represents the difference between the total consideration paid and the fair value of the net assets acquired. 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.

Trademarks

Trademarks for the Group arise on business combinations. Trademarks can have indefinite useful lives where 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 Group. Similar to goodwill, these are tested for impairment annually. Trademarks that have a finite life are amortised over 3 years.

Capitalised development

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

The capitalised development intangible assets represent the Group's travel booking system and licences as well as additional distribution systems that enable customers to access this booking platform. Capitalised development is amortised on a straight-line basis, generally over 10 years.

Other identifiable intangibles

Other identifiable intangible assets arise on business acquisitions and comprise supplier agreements and customer contracts/relationships. Other intangible assets have useful lives ranging between 3 to 15 years.

The value of the intangible assets of the group are as follows:

Consolidated Entity	Goodwill $m	Trademarks $m	Capitalised development $m	Other $m	Total $m
At 1 July 2018					
Cost or fair value	370.2	28.2	101.5	127.4	627.3
Accumulated amortisation and impairment	–	(2.9)	(32.2)	(9.0)	(44.1)
Net book amount	**370.2**	**25.3**	**69.3**	**118.4**	**583.2**
Additions through business acquisition	185.6	11.9	29.9	82.7	310.1
Additions	–	–	21.0	6.4	27.4
Amortisation charge	–	(6.0)	(11.9)	(13.0)	(30.8)
Exchange differences	11.6	0.8	2.1	3.1	17.5
Closing net book amount	**567.4**	**32.0**	**110.4**	**197.6**	**907.4**
At 30 June 2019					
Cost or fair value	567.4	40.9	154.5	219.6	982.3
Accumulated amortisation	–	(8.9)	(44.1)	(22.0)	(74.9)
Net book amount	**567.4**	**32.0**	**110.4**	**197.6**	**907.4**

3.1 Intangible assets (continued)

Consolidated Entity	Goodwill $m	Trademarks $m	Capitalised development $m	Other $m	Total $m
At 1 July 2017					
Cost or fair value	73.8	18.5	40.4	24.1	156.7
Accumulated amortisation and impairment	–	–	(12.6)	(4.7)	(17.2)
Net book amount	**73.8**	**18.5**	**27.8**	**19.4**	**139.4**
Additions through business acquisition	271.7	9.4	29.3	98.1	408.6
Additions	–	–	17.7	0.4	18.1
Exchange differences	24.7	0.3	3.1	9.4	37.4
Amortisation charge	–	(2.9)	(8.6)	(7.5)	(18.9)
Disposals/Write offs	–	–	(0.0)	(0.3)	(0.3)
Transfers	–	–	(0.0)	(1.2)	(1.2)
Closing net book amount	**370.2**	**25.3**	**69.3**	**118.4**	**583.2**
At 30 June 2018					
Cost or fair value	370.2	28.2	101.5	127.4	627.3
Accumulated amortisation	–	(2.9)	(32.2)	(9.0)	(44.1)
Net book amount	**370.2**	**25.3**	**69.3**	**118.4**	**583.2**

Impairment tests for goodwill and trademarks

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 1.1). In November 2018, the Group recognised goodwill arising from the acquisition of Destinations of the World. Refer to note 3.2 for further details.

Goodwill is monitored by management at the operating segment level as disclosed in note 1.1. 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:

	B2C Travel $m	B2B Travel $m	Total $m
30 June 2019			
Carrying amount of goodwill	56.7	510.7	567.4
Carrying amount of trademarks	17.0	15.0	32.0
	73.7	**525.7**	**599.4**
30 June 2018			
Carrying amount of goodwill	56.1	314.1	370.2
Carrying amount of trademarks	16.8	8.5	25.3
	72.9	**322.6**	**395.5**

Key assumptions used for value-in-use calculations

	B2C Travel $m	B2B Travel $m
Booking growth	2 to 5%	2 to 11%
Terminal growth rate	3%	2%
Post tax discount rate	11%	10%

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 Group has prepared a detailed projection for the financial year ending 30 June 2020 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.

3.2 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 Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group 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 Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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.

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.

Acquisition-related costs are expensed to profit or loss as incurred. Acquisition-related costs relating to raising debt are capitalised against the debt and amortised over the life of the facility. Acquisition-related costs relating to raising equity are recognised directly in equity.

Acquisitions during the year: Destinations of the World

(a) Summary of acquisition

In November 2018 the Group acquired 100% of the issued share capital of Destinations of the World and its controlled entities (DOTW). DOTW is a pureplay B2B accommodation wholesale platform, headquartered in Dubai. The company operates through the Middle East, Europe, Asia Pacific and the Americas, connecting highly fragmented suppliers (hoteliers) and travel retailers (travel agents, online travel agents, four operators, and third party-wholesalers).

(b) Consideration paid

The fair value of the consideration paid or payable was A$ 229.6 million as follows:

	Total $m
Consideration paid or payable comprises:	
Cash paid(1)	174.3
New shares issued(2)	25.2
Deferred consideration(3)	46.8
Estimated refund due to working capital adjustment	(16.7)
Net consideration paid or payable	**229.6**

(1) Cash paid was funded by a combination of a fully underwritten accelerated pro rata non-renounceable entitlement offer and new debt funding.

(2) 2.2 million shares were issued to the private equity vendors and continuing management shareholders in DOTW. The issue price was $11.61, being the share price on the date of completion.

(3) In addition, a deferred consideration is payable in 6 to 24 months. The value of the deferred consideration is discounted to reflect the time value of money. Deferred consideration is classified as Other liabilities in the consolidated balance sheet. The deferred consideration is re-assessed at each reporting period. Any increase or decrease in the estimated deferred consideration to be paid is recognized in the income statement as an expense or income respectively. As at 30 June 2019, the deferred consideration has been decreased by $18.5 million relating to the earn-out payable on the DOTW acquisition and recognised as income in accordance with accounting standards – refer Note 1.4.

3.2 Business Combinations (continued)

(c) Identifiable assets and liabilities acquired

As required under AASB 3, Webjet is required to identify the fair value of the asset and liabilities of DOTW at the acquisition date. The fair values of assets and liabilities acquired are provisional pending finalisation of the completion statement with the Seller.

	Reported at 31 December 2018 $m	Adjustments[1] $m	Revised fair value on acquisition $m
Bank overdraft	(30.6)	0.0	(30.6)
Receivables and other assets[2]	82.3	(13.0)	69.3
Property, plant and equipment	6.9	(1.6)	5.3
Intangibles excluding goodwill	19.5	105.2	124.7
Other non-current assets	12.1	0.0	12.1
Total assets	**90.2**	**90.6**	**180.8**
Trade payables	(105.0)	(5.9)	(110.9)
Payables and other liabilities	(21.6)	(4.1)	(25.7)
Total liabilities	**(126.6)**	**(10.0)**	**(136.6)**
Net (liabilities assumed)/assets acquired	**(36.4)**	**80.6**	**44.2**
Consideration paid or payable	229.2	0.4	229.6
Goodwill recognised on acquisition	**265.6**	**(80.2)**	**185.4**

(1) Adjustments arose from additional work to determine fair value of assets acquired and liabilities assumed at acquisition date.

(2) Includes doubtful debts provision of $19.2 million.

(d) Cash outflow on acquisition

	2019 $m
Net cash outflow on acquisition	
Cash paid	174.3
Bank overdraft assumed	30.6
Acquisition costs paid recognised directly in equity	4.7
Net cash paid	**209.6**

(e) Revenue and profit contribution

	Since acquisition $m	If included from beginning of the period $m
Total transaction value	386.1	682.1
Profit before tax	3.5	9.0

(f) Business acquisition costs

	2019 $m
Acquisition costs recognised directly in equity	4.7
Acquisition costs recognised in profit or loss	4.5
Integration costs recognised in profit or loss	10.7
Total business acquisition costs	**19.9**

3.3 Property, plant and equipment

Property plant and equipment (PPE) of the Group comprises land and buildings, and other PPE which includes third party software, office equipment, furniture & fittings, leasehold improvements, computer equipment and assets under construction.

Each class of property, plant and equipment is carried at historical cost less accumulated depreciation and impairment losses.

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

Office furniture and equipment	5 to 8 years
Computer equipment and software	3 to 5 years
Leasehold improvements	Over term of lease

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.

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

The Group's property, plant and equipment are as follows:

Consolidated Entity	Land & building $m	Other PPE $m	Total $m
At 1 July 2018			
Cost or fair value	7.1	29.6	36.8
Accumulated depreciation	(0.4)	(14.1)	(14.5)
Net book amount	**6.7**	**15.6**	**22.3**
Additions through acquisition	2.7	2.6	5.3
Additions	1.4	3.9	5.3
Depreciation charge	(0.3)	(4.9)	(5.2)
Asset write offs	–	(4.9)	(4.9)
Exchange differences	0.2	0.3	0.5
Closing net book amount	**10.7**	**12.6**	**23.3**
At 30 June 2019			
Cost or fair value	11.5	31.5	43.0
Accumulated depreciation	(0.8)	(18.9)	(19.7)
Net book amount	**10.7**	**12.6**	**23.3**

Consolidated Entity			
At 1 July 2017			
Cost or fair value	4.0	16.3	20.3
Accumulated depreciation	(0.3)	(8.3)	(8.6)
Net book amount	**3.7**	**8.0**	**11.7**
Additions through acquisition	–	1.7	1.7
Additions	0.1	10.2	10.2
Depreciation charge	(0.1)	(3.0)	(3.1)
Disposals	–	(0.2)	(0.2)
Transfers	2.9	(1.7)	1.2
Exchange differences	0.2	0.6	0.8
Closing net book amount	**6.7**	**15.6**	**22.3**
At 30 June 2018			
Cost or fair value	7.1	29.6	36.8
Accumulated depreciation	(0.4)	(14.1)	(14.5)
Net book amount	**6.7**	**15.6**	**22.3**

4 Other disclosures

4.1 Subsidiaries

The Group's subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they are a 100% owned, have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Australia

Webjet Marketing Pty Ltd[3]
Rez Group Pty Ltd[3]
Destinations of the World (Australia) Pty. Limited[1]
Online Republic Pty Ltd[3]

United Arab Emirates

WebBeds FZ LLC
Destinations of the World DMCC[1]
Destinations of the World Travel and Tourisms LLC[1]
DOTW KSA Limited[1]
DOTW Kuwait Limited[1]
DOTW PROPCO LIMITED[1]
JAC Travel Tourism LLC
Umrah Holidays International International FZ LLC[2]

United Kingdom

WebBeds Limited
SunHotels Ltd
Fyrkant Ltd
Incoming Ltd
JAC Travel Limited
JAC Group of Companies Limited
JAC Travel China Limited
JAC Travel Group (Holdings) Limited
JAC Travel Group Acquisitions Limited
JAC Travel Group Financing Limited
JAC Travel Group Investments Limited
JAC Travel Scotland Limited
TotalStay Holdings Limited
TotalStay Limited
Exclusively Hotels Limited
Destinations of the World (UK) Limited[1]
Destinations of the World Limited (UK)[1]
DOTW Holdings Limited[1]
Dotworld Limited[1]
Online Republic Group Limited (UK)

Other countries

Webjet International Limited
Webjet Marketing NZ Pty Limited
Online Republic Group Limited
Earlybird (Shenzen) Limited
WebBeds Holding Co Limited
FitRuums Pte Ltd
WebBeds LLC
SunHotels France
SunHotels Mundo
Flame S.R.L.
Busy Bee S.L
JAC Travel Inc
Travel Tech S. R. L.
DOTW Shared Services Inc.[1]
Destinations of the World Travel and Tourism LLC (UAE) (Egypt Rep Office)[1]
Bico T. S. Singapore Pte. Ltd.[1]
Bico Trip Co. Limited[1]
Bico T. S. HK Co Ltd[1]
Bico Trip Co. Ltd (Japan)[1]
Destinations of the World (Malaysia) Sendirian Berhad[1]
Destinations of the World (Subcontinent) Private Limited[1]
Destinations of the World (Thailand) Co., Limited[1]
Destinations of the World Holding Establishment[1]
Destinations of the World Saudi Arabia for Tourism LLC[1]
Destinos del Mundo S.L.[1]
Dominica de Turismo (Domitur) SRL[1]
Domitur S.A.[1]
Shanghai Mei. Gao Information and Technologies Co., LTD[1]
Destinations of the World Istanbul Sehayat Ve Turizm Anonim Sirketi[1]
DOTW Kuwait for Hotels, Real Estate and Healthcare Centres Reservations WLL[1]

(1) Acquired during the year. Refer Note 3.2
(2) Established during the year. The Group holds 51%
(3) Member of the Australian tax-consolidated group

4.2 Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements.

The individual financial statements for the parent entity show the following aggregate amounts:

		As at 30 June
	2019 $m	**2018 $m**
Balance sheet		
Current assets	3.1	4.6
Non-current assets	724.3	519.1
Total assets	**727.4**	**523.7**
Current liabilities	28.8	54.6
Non-current liabilities	156.2	101.8
Total liabilities	**185.0**	**156.4**
Net assets	**542.4**	**367.3**
Equity		
Issued capital	510.8	329.2
Reserves	5.2	(2.4)
Retained earnings	26.4	40.4
Total equity	**542.4**	**367.3**
Profit or loss for the period	11.9	4.7
Total comprehensive income	**11.9**	**4.7**

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 as disclosed in Note 4.8.

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

4.3 Taxation

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.

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.

(a) Income tax expense

	Year ended 30 June	
	2019 $m	**2018 $m**
Current tax		
Current year tax expense	19.9	18.1
Prior period over-provision	(0.3)	(0.2)
Total current tax expense	**19.6**	**17.9**
Deferred income tax		
Current year deferred tax	(3.8)	0.2
Prior period over-provision	(1.4)	(1.0)
Total deferred tax expense	**(5.2)**	**(0.8)**
Income tax expense	**14.4**	**17.1**

4.3 Taxation (continued)

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

	Year ended 30 June 2019 $m	2018 $m
Profit from continuing operations before income tax expense	74.7	58.6
Tax at the Australian tax rate of 30.0% (2018: 30.0%)	**22.4**	**17.6**
Effect of income/expenses that are not assessable/deductible in determining taxable profit	(1.6)	0.8
Difference in overseas tax rates	(4.4)	0.3
Prior periods adjustments	(0.8)	(0.8)
Other	(1.2)	(0.8)
Income tax expense	**14.4**	**17.1**

(c) Movements in deferred tax assets

	Tax losses $m	Derivatives $m	Employee benefits $m	Other $m	Total $m
At 1 July 2017	0.8	–	1.3	0.7	2.8
(Charged)/credited					
– to profit or loss	–	–	0.6	(0.7)	(0.1)
– to other comprehensive income	–	2.7	–	(0.2)	2.5
– acquired through business combination	–	–	–	0.2	0.2
– (over)/under provision	(0.1)	–	–	1.1	1.0
At 30 June 2018	**0.7**	**2.7**	**1.9**	**1.1**	**6.4**
(Charged)/credited					
– to profit or loss	(0.4)	–	1.3	0.3	1.2
– directly to equity	–	1.9	–	(0.6)	1.3
– acquired through business combination	0.7	–	–	0.1	0.8
– over provision	–	–	(0.1)	–	(0.1)
At 30 June 2019	**1.0**	**4.6**	**3.1**	**0.9**	**9.6**

(d) Movements in deferred tax liabilities

	Intangible assets $m	Interest receivable $m	Other $m	Total $m
At 1 July 2017	12.2	0.1	0.8	13.1
(Charged)/credited				
– to profit or loss	(0.5)	–	–	(0.5)
– to other comprehensive income	1.9	–	–	1.9
– (over)/under provision	(0.1)	–	0.1	–
– acquired through business combination	23.0	–	–	23.0
At 30 June 2018	**36.5**	**0.1**	**0.9**	**37.5**
(Charged)/credited				
– to profit or loss	(2.0)	(0.2)	(0.4)	(2.6)
– to other comprehensive income	1.3	–	–	1.3
– over provision	(0.9)	–	(0.5)	(1.4)
At 30 June 2019	**34.9**	**(0.1)**	**–**	**34.8**

4.3 Taxation (continued)

(e) Relevance of tax consolidation to the Group

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 4.1.

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).

(f) 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.

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

(b) Classification of financial instruments

	Year ended 30 June	
	2019 $m	**2018 $m**
Financial Assets		
Loan and receivable	362.5	269.4
Margin deposits	–	3.8
Cash and cash equivalents	211.4	190.8
Financial Liabilities		
Amortised cost	756.4	573.4
Derivatives	14.5	8.0

4.4 Financial risk management (continued)

(c) Derivatives

The Group 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 Group has the following derivative financial instruments at reporting date:

	Year ended 30 June	
	2019 $m	2018 $m
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	0.7	1.0
Cross currency interest rate swap - part cashflow hedge, part net investment hedge	1.2	–
Non-current liabilities		
Cross currency interest rate swap - part cashflow hedge, part net investment hedge	12.6	7.0

The Group does not enter into any derivative contracts for trading. Derivative instruments are used to hedge against cashflow and translation risk as described below. Derivatives are classified as Level 2 in the fair value hierarchy.

(i) Cross currency interest rate swap contract

Webjet Limited entered into various cross currency interest rate swaps to hedge against variable floating borrowings in AUD as well as its net investment in foreign 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 or cashflow hedge reserves to the extent the hedge is effective. Any hedge ineffectiveness is recognised in profit and loss.

(ii) Forward exchange contracts

The Group enters into forward foreign exchange contracts to manage its foreign exchange rate risk on trading activities. These contracts are carried at fair value with changes in fair values recognised in equity through the cash flow hedge reserve, to the extent the hedge is effective. Any hedge ineffectiveness is recognised in profit and loss.

(d) Market risk

(i) Foreign exchange risk

Foreign currency risk mainly arises from the groups purchase and sale of hotels in various foreign currencies. 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. The Group's risk management policy is to hedge the net foreign currency risk arising from trading activities and uses forward exchange contracts for material currency pair exposures to hedge against currency fluctuation.

At year end, the Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, are presented in the table below.

	USD $m	GBP $m	EUR $m	AED $m	NZD $m
30 June 2019					
Cash and cash equivalents	13.5	14.8	1.6	4.7	3.9
Trade receivables	99.7	37.0	6.4	(7.9)	2.6
Trade payables	(85.9)	(23.2)	(7.1)	(7.2)	(3.4)
Net exposure	**27.3**	**28.6**	**0.9**	**(10.4)**	**3.1**
Impact of 10% increase against functional currency	2.7	2.9	0.1	(1.0)	0.3
Impact of 10% decrease against functional currency	(2.7)	(2.9)	(0.1)	1.0	(0.3)
30 June 2018					
Cash and cash equivalents	(8.9)	(9.1)	86.7	8.3	21.9
Trade receivables	50.2	22.8	41.7	(1.6)	41.0
Trade payables	(61.1)	(36.8)	(176.5)	(7.0)	(54.4)
Total	**(19.8)**	**(23.1)**	**(48.1)**	**(0.3)**	**8.5**
Impact of 10% increase against functional currency	2.0	2.3	4.8	0.0	(0.9)
Impact of 10% decrease against functional currency	(2.0)	(2.3)	(4.8)	(0.0)	0.9

4.4 Financial risk management (continued)

The sensitivity above shows a 10% increase and decrease in the functional currencies against the relevant foreign currencies presented in Australian dollars. 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. A positive number indicates an increase in profit and other equity where the functional currency strengthens 10% against the relevant foreign currency. For a 10% weakening of the functional currency against the relevant foreign currency, there would be a comparable impact on the profit and other equity, and the balances would be negative.

(ii) Interest rate risk

The Group's interest rate risk arise mainly from its borrowings at floating interest rates and cash and cash equivalents. Group manages interest rate risk from borrowings at floating interest rates by entering into cross currency swaps to convert floating Australian dollar interest rates into fixed Euro rates. The resulting fixed rate Euro is then used to hedge translation risk on the net assets of the Group's foreign subsidiaries.

As at 30 June 2019, interest rate risk arising from cash and cash equivalents of $211.4 million (2018: $190.8 million. The average interest rate on all deposits was 0.5% (2018: 0.5%). 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 or decrease to interest revenue of $1 million.

(e) Liquidity risk

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

	Year ended 30 June 2019 $m	2018 $m
Undrawn revolving credit facility	56.6	15.8

(ii) Maturities of financial liabilities

The tables below analyse the Group'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.

	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Total contractual cash flows $m	Carrying amount $m
30 June 2019					
Trade payables	550.5	–	–	550.5	550.5
Borrowings (excluding finance leases)	23.3	9.5	183.7	216.5	205.9
Total non derivatives	**573.8**	**9.5**	**183.7**	**767.0**	**756.4**
30 June 2018					
Trade payables	450.9	–	–	450.9	450.9
Borrowings (excluding finance leases)	33.5	66.8	25.2	125.6	122.7
Total non derivatives	**484.4**	**66.8**	**25.2**	**576.5**	**573.6**

4.5 Summary of key other accounting policies

This note provides a list of all other 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 Group 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 also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the group

Other than the adoption of AASB 9 (refer Note 2.1) and AASB 15 (refer Note 1.2), adoption of new and amended standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Rounding of amounts accounting policy

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 one hundred thousand dollars, or in certain cases, the nearest dollar.

(c) Going concern

The group has a net current liability as at 30 June 2019 of $37.2 million. The Group is able to meet all it current obligations as they fall due, and were necessary would be able to utilize its undrawn facilities of $56.6 million.

(d) Foreign currency translation accounting policy

(i) Functional and presentation currency

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

(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.

4.5 Summary of other key accounting policies (continued)

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.

4.6 Accounting standards in issue but not yet effective

AASB 16 Leases

AASB 16 was issued by the AASB in February 2016. Assessment of the standard show that this will only have an impact on the accounting of the operating leases held by the Group for its corporate offices.

The key features of the new standard are:

- elimination of classification of leases as either operating leases or finance leases for a lessee
- the recognition of lease assets and liabilities on the balance sheet, initially measured at present value of unavoidable future lease payments
- recognise depreciation of lease assets and interest on lease liabilities on the income statement over the lease term
- separation of the total amount of cash paid into a principal portion and interest in the cash flow statement
- short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements.

The new standard will be effective for annual reporting periods beginning on or after 1 January 2019, which means that it will be applied in the reporting period beginning 1 July 2019. The Group has assessed the effect of AASB 16 on its consolidated financial statements, and the impact is estimated to be as follows based on current leases in operation:

Impact on the Statement of financial position as at 30 June 2019	$m
Increase in non-current assets (recognition of lease assets)	14.1
Decrease from the derecognition of lease incentives	0.6
Increase in liability from recognition of lease liability	(15.1)
Decrease in retained earnings	**(0.4)**

Impact on Profit or Loss assuming AASB 16 in effect for 2019	$m
Decrease in rent expense resulting in an increase in EBITDA	5.4
Increase in interest expense	(0.5)
Increase in depreciation expense	(4.9)
Decrease in net profit after tax	**–**

AASB Interpretation 23 Uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately
- the assumptions an entity makes about the examination of tax treatments by taxation authorities
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date.

4.6 Accounting standards in issue but not yet effective (continued)

Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. The Group has established processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

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

4.7 Commitments

(a) Non-cancellable operating leases

The Group 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.

	Year ended 30 June	
	2019 $m	**2018 $m**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	5.0	3.5
Later than one year but not later than five years	9.6	10.5
Later than five years	0.1	0.2
	14.7	**14.2**

(b) Leases accounting policy

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 Group as lessee are classified as operating leases. 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 Group 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.

4.8 Contingent liabilities

At 30 June 2019, the Group had drawn bank guarantee facilities amounting to $24.0 million (30 June 2018: $17.0 million). There are no other contingent assets or liabilities requiring disclosure as at the date of this report.

4.9 Events occurring after the reporting period

Dividend

A final dividend of 13.5 cents per share, fully franked to 100% has been declared by the directors for payment on 10 October 2019 totalling $18.3 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 Group, the results of those operations, or the state of affairs of the Company in future financial years.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 50 to 79 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 Group's financial position as at 30 June 2019 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

Note 4.5 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.

On behalf of the Directors

Roger Sharp
Chairman
Melbourne, 22 August 2019

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000

Tel: +61 (0) 3 9671 7000
www.deloitte.com.au

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 2019, the consolidated statement of profit or loss and other 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 directors' declaration.

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 2019 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 the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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
"Destinations of the World" business combination As disclosed in Note 3.2, the Group acquired 100% of the shares of Destinations of the World on 21 November 2018 for a total purchase consideration totalling AUD $229.6 million (USD 165.7 million). Accounting for the acquisition required a management judgment in relation to the identification and valuation of identifiable assets acquired, assignment of their useful lives, and the liabilities assumed at acquisition date and assessment of the deferred consideration payable.	Our procedures included, but were not limited to: • reading the signed Share Sale Agreement to understand the entities being acquired and the consideration payable for the acquisition; • obtaining a copy of the external valuation report to assess the determination of the fair values of the intangible assets associated with the acquisition; and • assessing management's calculation in determining the deferred consideration payable. In conjunction with our valuation specialists, 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 3.2 to the financial statements.

Deloitte.

Key Audit Matter	How the Key Audit Matter was addressed in the audit
Revenue recognition For the year ended 30 June 2019, the Group's revenue totalled $366.4 million as disclosed in Note 1.2. 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 consistent application 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; • testing on a sample basis, to validate the accuracy and occurrence of revenue related to bookings based on booking confirmations and bank statements; and • evaluating the processesing of the bookings to assess the accuracy of the booking transactions and associated accounting outcomes. We also assessed the appropriateness of the disclosures in Note 1.2 to the financial statements.
Carrying value of goodwill and intangibles in relation to the B2B and B2C businesses As at 30 June 2019 the Group's goodwill and other intangible assets balance totalled $907.4 million which represents 60% of total assets as disclosed in Note 3.1. 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 their impairment assessment; and • evaluating the level at which goodwill is monitored, including the identification of CGUs. In conjuction with our valuation specialists, 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

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Key Audit Matter	How the Key Audit Matter was addressed in the audit
	performance and industry benchmarks to ensure compliance 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 3.1 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 2019, 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.

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.

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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 30 to 48 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Webjet Limited for the year ended 30 June 2019, 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, 22 August 2019

Shareholder information

The shareholder information set out below was applicable as at 31 July 2019.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding

	Ordinary Shares	
Holding	**Shares**	**Options**
1 – 1,000	5,874	–
1,001 – 5,000	3,570	–
5,001 – 10,000	634	–
10,001 – 100,000	474	1
100,001 and over	60	8
	10,612	**9**

B. Voting rights

135,601,009 fully paid ordinary shares are held by 10,612 individual shareholders. All issued ordinary shares carry one vote per share. 4,934,354 options are held by nine individual option holders. Options do not carry a right to vote.

C. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary Shares	
Name	**Number held**	**Percentages of shares issued**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	33,306,832	24.56
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	16,850,798	12.43
CITICORP NOMINEES PTY LIMITED	15,942,715	11.76
NATIONAL NOMINEES LIMITED	10,015,522	7.39
MR STEVEN SCHEUER <NO 1 ACCOUNT>	3,311,425	2.44
UBS NOMINEES PTY LTD	3,155,428	2.33
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,522,372	1.86
JAYELLE SUPER PTY LTD <JOHN LEMISH SUPER FUND A/C>	2,160,000	1.59
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,574,315	1.16
MR STEVEN SCHEUER <NO 2 ACCOUNT>	1,135,717	0.84
BNP PARIBAS NOMS PTY LTD <DRP>	1,066,940	0.79
NATIONAL NOMINEES LIMITED <DB A/C>	964,777	0.71
MR JOHN LEMISH	900,000	0.66
MR IAN STANLEY BOOTES + MRS KYLIE BOOTES	816,607	0.60
AMP LIFE LIMITED	738,740	0.54
MS KING-ENG TAN	704,571	0.52
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	687,614	0.51
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	666,853	0.49
BNP PARIBAS NOMINEES PTY LTD <NUMIS SECS CLIENT ACC DRP>	624,940	0.46
ATM 1 \C	624,939	0.46
	97,771,105	**72.10**

D. Substantial holders

Substantial holders in the company are set out below:

Holding	**Number held**	**Percentage**
Mr John Guscic (Melbourne)	6,999,545	5.16%
Colonial First State - Growth Australian Equities (Sydney)	6,674,318	4.92%
Wasatch Advisors (Salt Lake City)	5,862,774	4.32%
Thorney Investments (Melbourne)	5,115,845	3.77%
Mr Steven C Scheuer (Melbourne)	4,650,142	3.43%
Remaining	106,298,385	78.39%

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
- Toni Korsanos (appointed 1 June 2018)
  Independent Non-Executive Director

Company Secretary

- Tony Ristevski
- Zi Mtenje

Principal registered office in Australia

Level 2, 509 St Kilda Road
Melbourne Victoria 3004
Australia
Phone: +61 3 9820 9214

Investor website

www.webjetlimited.com

Share register

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide South Australia 5000
Phone: +61 8 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

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