

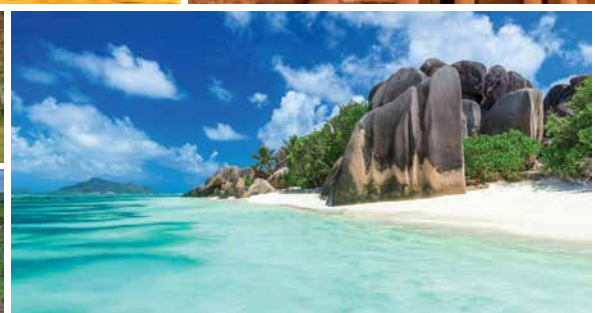
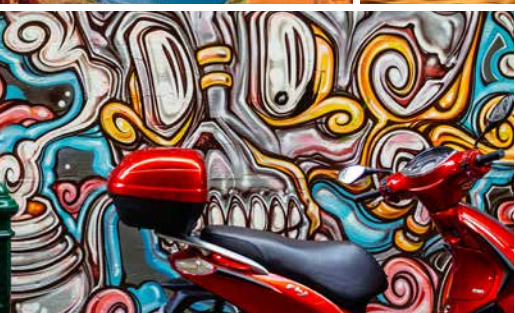
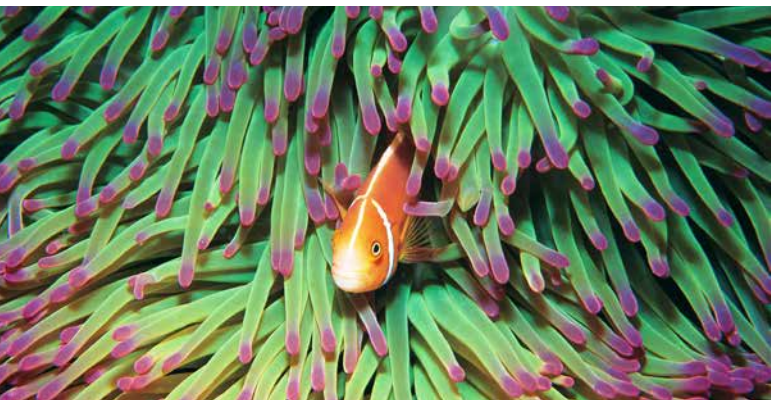


helloworld
TRAVEL LIMITED

ANNUAL REPORT 2019

Helloworld Travel Limited and Controlled Entities Annual Report for the year ended 30 June 2019





ANNUAL REPORT 2019

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CORPORATE INFORMATION

Directors

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

Company Secretary

Michael Burnett

Registered and principal office

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

Auditor

PricewaterhouseCoopers (PwC) Australia
2 Riverside Quay
Southbank VIC 3006

Stock exchange

ASX Limited
Level 4
20 Bridge Street
Sydney NSW 2000

ASX code

ASX code: HLO

Share registry

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000
hello@automic.com.au
1300 288 664 (within Australia) or
+61 2 9698 5414 (outside Australia)

Website

www.helloworldlimited.com.au



GLOSSARY

The following terms have been used through this Annual Report:

EBITDA	Earnings before interest expense, tax, depreciation and amortisation
AGM	Annual General Meeting
AOT	AOT Group Pty Ltd and its controlled entities
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Company	The parent entity, Helloworld Travel Limited
EPS	Earnings per share
FAR	Fixed Annual Remuneration
FY18	Financial Year ended 30 June 2018
FY19	Financial Year ended 30 June 2019
FY20	Financial Year ended 30 June 2020
Group	The Helloworld Travel Group, comprising Helloworld Travel Limited and its controlled entities
Helloworld Travel	Helloworld Travel Limited
KMP	Key Management Personnel
LTIP	Long Term Incentive Plan
MTA	Mobile Travel Holdings Pty Limited and its controlled entities
Qantas	Qantas Airways Limited
QBT	QBT Pty Limited
QH	Qantas Holidays Limited
STIP	Short Term Incentive Plan
TTV	Total Transaction Value

CHAIRMAN'S REPORT



“As Chairman of Helloworld Travel Limited I am pleased to be presenting this report on behalf of the Board of Directors.”

As Chairman of Helloworld Travel, I am very pleased to report these results, once again demonstrating strong growth in TTV, revenue, EBITDA and net profit before income tax expense compared with the prior year.

Driven by increasing TTV from business expansion, stable revenue margins and continued focus on delivering cost efficiency initiatives, we have displayed our continuing commitment to our focus on strategically growing the business and its networks at profitable margins, while increasing our investment in brands, products, technology and people to ensure Helloworld Travel Limited is well positioned to deliver sustainable long term growth.

For the year ended June 2019, the company has successfully grown the scale of its business in Australia and New Zealand, while benefiting from its focus on profitable revenue streams and continued cost control. We have expanded our Retail networks to 2,447 members as at 30 June 2019 including 30 new Helloworld Travel branded agencies across Australia and New Zealand.

Throughout the year we also continued our significant investment in consumer marketing to increase the Helloworld Travel retail networks brand presence. Advertising and promotional initiatives over the year included a first in market travel media partnership with News Corporation and the delivery of a full season of the 'Helloworld' television program in Australia.

A number of strategic acquisitions were completed across the year including Show Group Enterprises and Williment Travel Group, both complementing our existing Travel portfolio. And we have also seen the successful integration of our prior year acquisitions including Magellan Travel, Flight Systems Group and Asia Escape Holidays into the business.

In May 2019 we held a highly successful Owner Managers Conference in Vietnam that several of our Board members attended. The feedback from my fellow Directors was highly positive and the vitality of our retail agent networks continues to play a significant role in the strength, sustainability and success we see across our networks in Australia and New Zealand.

Focus on business expansion and driving growth in 2018/19.

Helloworld Travel has delivered another year of strong profitable growth with EBITDA of \$77.3 million, an increase of 20.8% or \$13.3 million compared with the prior year.

TTV grew by 9.1% to \$6.5 billion driven primarily by the full year impact of business acquisitions undertaken in the second half of the prior year including the Magellan Travel Group, Flight Systems and Asia Escape Holidays and the addition of Show Group acquired in December 2018.

Revenue grew by 9.8% to \$357.6 million led by the inclusion of the business acquisitions and strong trading performance driven by the Australia and New Zealand retail networks.

Revenue margin was maintained at 5.5%, in line with the prior year. The margin was supported by improved contracting outcomes and a focus on profitable revenue streams, partially offset by changes in business unit and product revenue mix.

Profit before tax was \$54.5 million, an increase of 21.0% or \$9.5 million compared with the prior year. As a result, basic earnings per share grew by 20.7% to 31.5 cents, which enabled the declaration of a final dividend of 12.5 cents per share to shareholders. This brings the total dividends declared to 20.5 cents per share, an increase of 2.5 cents per share or 13.9% from the prior year.

This is the fourth consecutive year we have returned a dividend to shareholders.

Further details of the financial performance of the Group are included in the Operating and Financial Review on pages 16 to 31 of the 2019 Annual Report.

Looking ahead

As a business we are proud to be once again very well-positioned to deliver long-term growth.

We will continue with our commitment and focus to produce results and positive outcomes for our various stakeholders across the business including shareholders, agents, employees, partners and consumers.

Once again, I would like to acknowledge the Executive Leadership Team and Senior Management and their teams, led by Chief Executive Officer and Managing Director Andrew Burnes, on the ongoing delivery of the business growth strategy and consistent success across the business and brands.

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

Travel is a vibrant, challenging and rewarding industry and one I am pleased to be a part of.

As Chairman of Helloworld Travel Limited I am looking forward to the future success we have ahead.



Garry Hounsell

Chairman
Helloworld Travel Limited
Melbourne, 21 August 2019

CHIEF EXECUTIVE OFFICER'S REPORT



“I am very pleased to present this report and our results for the year ended 30 June 2019 as CEO and Managing Director of Helloworld Travel Limited.”

A year of continued growth

Results

Helloworld Travel continued to record strong growth in FY19, with increases in Total Transaction Value (+9.1%), revenue (+9.8%), EBITDA (+20.8%), net profit before tax (+21.0%) and net profit after tax (+23.8%) compared with the prior year. These results have been driven by increasing TTV from our business expansion, stable revenue margins and a continued focus on delivering cost efficiencies, taking advantages of increasing economies of scale and continued improvements in our supply chain technologies throughout the business.

Our New Zealand businesses improved significantly with a 68.1% improvement in EBITDA for the year and our overall Group revenue to EBITDA margin reached 21.6%, up from 19.7% in FY18.

TTV grew to \$6.5 billion, up \$544.5 million on the year prior. This was driven by the full year impact of business acquisitions undertaken in the second half of the prior year including the Magellan Travel Group, Flight Systems and Asia Escape Holidays and the addition of Show Group, acquired in December 2018. While different retail networks experienced different growth levels, on a like for like basis Helloworld Travel's Branded, Associate, Corporate and My Travel Group networks grew TTV by 2.5% on the prior year despite the impact of negative consumer and corporate sentiment in the second half of FY19 and a continuation of very competitive pricing for international air travel throughout the year.

Helloworld Travel's full year EBITDA is \$77.3 million, an increase of \$13.3 million (+20.8%) compared with the prior year. Profit before tax was \$54.5 million, an increase of 21.0% or \$9.5 million compared with the prior year. Net profit after tax increased to \$38.2 million, up 23.8% year on year from FY18.

Earnings per share grew 20.7% to 31.5 cents, and the Company declared a final dividend of 12.5 cents per share fully franked, up 1.5 cents on last years final dividend. This brings our total dividends for

FY19 to 20.5 cents per share fully franked, an increase of 2.5 cents per share or 13.9% from the prior year. This is the fourth consecutive year we have declared an increased dividend payment.

While operating costs increased compared with the prior year due to the inclusion of the cost base of business acquisitions, the underlying costs (excluding acquisitions) were again reduced from the prior year as the business continued its focus on economies of scale, automation and other initiatives to deliver greater efficiencies and cost control.

Acquisitions

Our strategic acquisitions over the financial year complemented our already extensive travel portfolio and notably include Show Group, a leading travel management specialist and freight logistics organisation servicing the entertainment, film, arts and sporting industries in Australia and Williment Travel Group, New Zealand's premier sports tour specialist business. These area specific travel businesses allow us to have a presence in the sports and entertainment sector of the travel industry that we didn't have previously.

Our indigenous joint venture in the corporate travel market with Inspire Travel Management is going from strength to strength and we expect it will continue to grow as more and more businesses commit to hitting a target of 3% of their procurement spending over the next five years with indigenous suppliers.

Business expansion

The Helloworld Travel retail agent network grew to 2,447 members in the 2019 financial year, a net increase of 224 members reflecting the increased brand presence and the strong and diverse value proposition offered by Helloworld Travel. This impressive growth was significantly headlined by 30 new Helloworld Travel branded agencies across Australia and New Zealand and we are looking to grow this footprint in the year ahead.

Our New Zealand network grew by 207 members, led by the additions of large associate members Gilpin Travel, Barlow Travel and Atlas Corporate Travel as well as NZ Travel Brokers joining the member network. The New Zealand retail network expansion adds approximately \$300 million

of annualised TTV to Helloworld Travel, with the full year benefit to be reflected in the FY20 financial results.

In the Corporate division we have had several significant key achievements including a two year extension for the contract to provide travel management services to the Whole of Australian Government and in New Zealand being reappointed for five years to the panel that provides travel management services to New Zealand All of Government. We have secured over \$50 million TTV in new corporate account wins including South Australian Government and Australia Post.

Brand investment and awareness

We have been actively accelerating and increasing the Helloworld Travel brand presence through significant investment in consumer marketing activity. Key initiatives included our Helloworld TV show, showcasing the brand and holiday destinations with active call to action deals and our first in market platinum media partnership with News Corporation. As well as an ongoing commitment to traditional campaign activity across TV, radio, print, online and outdoor.

We continue to grow the Helloworld Travel brand recognition in Australia with prompted brand awareness up to 71% (from 60%) and unprompted now at 31% (from 22%). In New Zealand, prompted awareness increased from 25% to 68% and unprompted awareness has increased from 9% to 26%.

Further improvement in brand awareness for the Helloworld Travel brand will drive further growth in our retail networks while new sales and marketing initiatives will grow business in our Magellan Travel, My Travel Group and Helloworld Business Travel networks.

In our wholesale business, we made the decision not to renew the brand licence for Qantas Holidays beyond March 2020. This licence was granted for a ten-year period in 2008 as part of the Jetset Travelworld Group (JTG) merger with both Qantas Holidays and QBT, from which Qantas emerged with a 58% shareholding in the merged entity and was extended by two years when JTG merged with Stella Travel Services in 2010. Helloworld Travel has decided to focus on its own wholesale brands and the existing Qantas Holidays brochures and operation will continue under other well-known Helloworld Travel brands including Viva Holidays and Sunlover Holidays.

Awards

The Helloworld Travel Limited Group was again recognised at the 2019 Australian Federation of Travel Agents (AFTA) National Travel Industry Awards (NTIA) in Sydney. Our agents, businesses and brands took home 12 awards including Best Non-Branded Travel Agency Group for Magellan Travel, Best Domestic Wholesaler for Qantas Holidays & Viva Holidays, Best Agency Support Services for Air Tickets and Best Travel Consultant Corporate for Veronika Panzic at Show Group. We were also recognised with multiple awards across our member networks. Overall Helloworld Travel Limited group members were recognised with over 50 finalists represented across the Award categories.

In New Zealand the Helloworld Travel group was awarded Best Retail Travel Brand as well as Best Brand Retail Multi Location at the 2018 TAANZ Awards presented in September 2018. Our NZ wholesale brand GO Holidays was awarded 'Best Wholesaler' award for the fifth consecutive year and The Travel Brokers were awarded Best Broker Brand.

Technology

Helloworld Travel continues to invest in technology innovation across the business to improve the service offerings to our leisure and corporate customers via our agency networks, our wholesale leisure businesses and our corporate customers in Australia and New Zealand. Technology developments are aimed at meeting the expectations of both our agency networks and their end users in an ever-changing digital world.

These developments include our retail ResWorld mid-office system, which now has over 100 agents signed up to deploy this dynamic new tool into their businesses. We expect to roll this platform out to over 600 agents in Australia and New Zealand by the end of 2021.

We continue to roll out white-label agent websites, offering a seamless solution to customers who want to book simpler transactional travel with their agent and receive all the service elements that come with that. In FY19 we upgraded the Air Tickets booking system, relaunched our wholesale agent hotel solution, 'ReadyRooms' and will roll out our new cruise platform in August 2019. In our corporate business, enhancement of corporate customer interface solutions, improved mobile booking solutions and the deployment of the Amadeus 'Cytric' product in the QBT brand are all underway and due for full roll out in FY20.

Dividend

The board has resolved that the company will pay a final dividend of 12.5 cents per share. The dividend is to be paid on 17 September 2019. This brings the total dividends

declared, fully franked, for the current year to 20.5 cents per share compared with 18.0 cents per share in the prior year. This is the fourth consecutive year we have declared an increased dividend payment.

A history of our last 8 years of dividends is:

Year	Cents per share
FY12	1.1
FY13	1.5
FY14	0.0
FY15	0.0
FY16	2.0
FY17	14.0
FY18	18.0
FY19	20.5

Outlook

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

We will continue our commitment to focus on strategically growing the business and delivering for our agent networks at profitable margins. We also remain committed to increase our investment in our people, brands, products and technology to ensure the Helloworld Travel Limited business is well positioned to deliver sustainable long-term growth.

We believe in the agency distribution model and the value agents add to consumers in planning, booking and managing their leisure and corporate travel and our business focus is on ensuring we have both the off-line and on-line capabilities to maximise the value for our travel customers via our agency networks.

On behalf of the Board of Directors and the Executive Leadership Team of Helloworld Travel Limited I would like to acknowledge and thank the many people involved in our company across all our global offices, our agency networks, shareholders, staff, suppliers, partners and supporters who are integral to our success. Without the dedication and commitment of all of our stakeholders we would not be able to achieve this success.

There is a bright future ahead for Helloworld Travel Limited and I am looking forward to continuing the future success of the business in the years to come.



Andrew Burnes

Chief Executive Officer and Managing Director
Helloworld Travel Limited
Melbourne, 21 August 2019

FINANCIAL PERFORMANCE SUMMARY

FOR THE YEAR ENDED 30 JUNE 2019

Summary Group Results

	For the year ended 30 June 2019 \$'000	For the year ended 30 June 2018 \$'000	Change \$'000	Change %
Total transaction value (TTV) ¹	6,511,298	5,966,788	544,510	9.1%
Revenue	357,562	325,688	31,874	9.8%
EBITDA ²	77,329	64,030	13,299	20.8%
Profit before income tax expense	54,488	45,021	9,467	21.0%
Profit after income tax expense	38,154	30,830	7,324	23.8%
Profit after income tax expense attributable to owners	38,116	30,779	7,337	23.8%

	For the year ended 30 June 2019 Cents	For the year ended 30 June 2018 Cents	Change Cents	Change %
Basic earnings per share	31.5	26.1	5.4	20.7%
Diluted earnings per share	30.9	25.9	5.0	19.3%
Interim dividend per share	8.0	7.0	1.0	14.3%
Final dividend per share	12.5	11.0	1.5	13.6%

	For the year ended 30 June 2019 \$'000	For the year ended 30 June 2018 \$'000	Change \$'000	Change %
RECONCILIATION OF EBITDA TO PROFIT BEFORE INCOME TAX				
EBITDA ²	77,329	64,030	13,299	20.8%
Depreciation and amortisation expense	(20,420)	(17,320)	3,100	17.9%
Finance expense	(2,421)	(1,689)	732	43.3%
Profit before income tax expense	54,488	45,021	9,467	21.0%

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

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

Shareholder returns

The Board has declared a final dividend of 12.5 cents per share for the 2019 financial year. This results in total dividends declared of 20.5 cents per share for the 2019 financial year, compared with 18.0 cents per share for the 2018 financial year. All dividends are fully franked.

Explanation of results

This information should be read in conjunction with the Director's Report, Financial Report and Auditor's Report for the year ended 30 June 2019 and any public announcements made by the Company since that time.

DIRECTORS' REPORT



Garry Hounsell B Bus, FAICD, FCA

Non-Executive Director and Chairman

Appointment

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

Experience and Expertise

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

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

Other current directorships of listed entities:

- Myer Holdings Limited (since September 2017), Chairman (since November 2017), Executive Chairman (February 2018 to 4 June 2018).
- Treasury Wine Estates Limited (since 2012).

Former directorships of listed entities in the last 3 years:

- Integral Diagnostics Limited (2015 to 2017).
- Spotless Group Holdings Limited (2014 to 2017) and Chairman (2017).
- Dulux Group Limited (2010 to 2017).

Special Responsibilities:

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

Interests in Shares:

- A legal and beneficial interest in 138,500 fully paid ordinary shares.

The Directors of Helloworld Travel Limited (Helloworld Travel), present their Report together with the Financial Statements of the Consolidated Entity (Group) being Helloworld Travel Limited and the entities that it controlled at the end of, or during, the year ended 30 June 2019 and the Independent Auditor's Report.

Directors

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



Andrew Burnes LLB, B Com (Melb)

Chief Executive Officer and Managing Director

Appointment

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

Experience and Expertise

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

On 1 November 1987, Mr Burnes founded The Australian Outback Travel Company, which became The AOT Group. After the merger of The AOT Group and Helloworld in January 2016, he was appointed Chief Executive Officer of Helloworld Travel Limited on 1 February 2016.

Mr Burnes was Honorary Federal Treasurer of the Liberal Party of Australia from July 2015 to June 2019. Prior to that appointment he was the State Treasurer of the Victorian Liberal Party from May 2009 to early 2011. He was appointed as a Director of Tourism Australia in July 2004 serving as Deputy Chairman from 2005 to 2009. Mr Burnes chaired the Audit and Finance Committee of Tourism Australia during this period, was a Trustee of the Travel Compensation Fund from 2005 to 2009 and a Board member of the Australian Tourism Export Council ('ATEC') from 1998 and served as the organisation's National Chairman from 1999 to 2003.

Other current directorships of listed entities:

- Nil

Former directorships of listed entities in the last 3 years:

- Nil

Special Responsibilities:

- Chief Executive Officer and Managing Director

Interests in Shares:

- A legal and beneficial interest in 10,460,531 fully paid ordinary shares.
- In conjunction with Mrs Burnes a further beneficial interest in 18,540,105 fully paid ordinary shares.



Cinzia Burnes

Group General Manager – Wholesale & Inbound,
Executive Director

Appointment

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

Experience and Expertise

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

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

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

Other current directorships of listed entities:

- Nil

Former directorships of listed entities in the last 3 years:

- Nil

Special Responsibilities:

- Group General Manager – Wholesale & Inbound

Interests in Shares:

- A legal and beneficial interest in 10,138,014 fully paid ordinary shares.
- In conjunction with Mr Burnes a further beneficial interest in 18,540,105 fully paid ordinary shares.



Mike Ferraro LLB (Hons)

Non-Executive Director

Appointment

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

Experience and Expertise

Mr Ferraro is currently Chief Executive Officer and Managing Director of Alumina Limited, having been appointed 1 June 2017. He was previously a non-executive director of Alumina Limited and from 25 May 2017 has been a non-executive director of Alcoa of Australia Limited. Mr Ferraro was previously a partner and member of the executive management team at global law firm Herbert Smith Freehills (HSF) and global head of the Corporate group at HSF. Prior to that he was chief legal counsel at BHP Billiton Limited from 2008 to mid 2010.

Current directorships of listed entities:

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

Former directorships of listed entities in the last 3 years:

- Nil

Special Responsibilities:

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

Interests in Shares:

- A beneficial interest in 17,569 fully paid ordinary shares.



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

Non-Executive Director

Appointment

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

Experience and Expertise

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

Other current directorships of listed entities:

- Nil

Former directorships of listed entities in the last 3 years:

- Nil

Special Responsibilities:

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

Interests in Shares:

- Nil



Michael Burnett BCom (Melb), CA

Chief Financial Officer and Group Company Secretary

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

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

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

Directors' meetings

During the year, 10 meetings of the Board, 4 meetings of the Audit & Risk Committee, 3 meetings of the Remuneration Committee and 2 meetings of the Nominations & Governance Committee were held.

Attendance at Board and Board Committee Meetings during FY19 is set out in the table below:

DIRECTOR	Board		Audit & Risk Committee		Remuneration Committee		Nominations & Governance Committee	
	A	B	A	B	A	B	A	B
Garry Hounsell	10	10	4	4	3	3	2	2
Andrew Burnes	10	10	4	4	3	3	2	2
Cinzia Burnes	10	10	2	2	1	1	2	2
Mike Ferraro	10	10	4	4	3	3	2	2
Andrew Finch	10	10	4	4	3	3	2	2

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

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

Committee membership

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

During the year, the members of the Committees were:

Audit & Risk Committee

Mike Ferraro (Chairman)

Andrew Finch

Garry Hounsell

Remuneration Committee

Garry Hounsell (Chairman)

Andrew Finch

Mike Ferraro

Nominations & Governance Committee

Garry Hounsell (Chairman)

Andrew Burnes

Cinzia Burnes

Mike Ferraro

Andrew Finch

Retirement in office of Directors

In accordance with the Company's Constitution and the ASX Listing Rules, Mr Mike Ferraro and Mr Andrew Finch, being the longest serving directors are retiring by rotation and, being eligible, offer themselves for re-election at the 2019 AGM.

Dividends

During the current financial year, the following fully franked dividends were distributed on Helloworld Travel Limited Ordinary Shares.

Type	Cents per share	Dividend amount \$m
Final 2018 dividend, distributed on 18 September 2018	11.0	13.7
Interim 2019 dividend, distributed on 15 March 2019	8.0	10.0
Total dividends distributed during the current year	19.0	23.7

On the 21 August 2019, Helloworld Travel declared a fully franked final dividend of 12.5 cents per share, which is expected to amount to \$15.6 million based on the closing number of shares issued as at 30 June 2019. This brings the total dividends declared in relation to the year ended 30 June 2019 to 20.5 cents per share.

The final dividend for the year ended 30 June 2019 will be paid during the 2020 financial year out of 30 June 2019 current year profits, but is not recognised as a liability at year end.

Further details on dividends during the year ended 30 June 2019 is set out in note 8 to the financial statements.

Earnings per share

Basic earnings per share was 31.5c (2018: 26.1c)

Diluted earnings per share was 30.9c (2018: 25.9c)

The increase in basic earnings per share reflects the strong net profit after tax performance in the current year. This has been achieved by growing TTV through business expansion and strategic acquisitions, whilst re-sizing the cost base to improve margin profitability.

During the 2019 financial year Helloworld Travel issued 150,000 further shares under the LTIP. These shares are subject to vesting conditions in future years. The shares issued under the LTIP arrangements have been excluded from the basic earnings per share calculation.

Under the franchise loyalty plan, 675,500 shares vested. In addition, 900,000 shares previously issued under the loan funded long term incentive plan (LTIP) and 5,000 shares previously issued under the franchise loyalty plan did not meet vesting conditions, were forfeited and subsequently sold on market.

Principal activities

The principal activities during the year of the entities in the Group were the selling of international and domestic travel products and services and the operation of retail distribution networks of travel agents.

Helloworld Travel is a leading Australian and New Zealand travel distribution company comprising retail distribution travel businesses, destination management services (for inbound Australian, New Zealand and South Pacific travel), air ticket consolidation, wholesale leisure (domestic and outbound), corporate and online operations. Retail distribution operations include Helloworld Travel, Australia's largest network of branded franchised travel agents, in addition to the Helloworld Associate network, Helloworld Business Travel, the My Travel Group, Mobile Travel Agent (MTA) and the Magellan Travel Group network.

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



OPERATING AND FINANCIAL REVIEW

Summary of results

	FY19 \$'000's	FY18 \$'000's	Change \$'000's	Change %
Total Transaction Value (TTV)	6,511,298	5,966,788	544,510	9.1%
Revenue	357,562	325,688	31,874	9.8%
Operating expenses	(283,683)	(263,306)	20,377	7.7%
Profit on disposal of investments	2,013	139	1,874	1348%
Equity accounted profits	1,437	1,509	(72)	(4.8%)
EBITDA	77,329	64,030	13,299	20.8%
Depreciation and amortisation expense	(20,420)	(17,320)	3,100	17.9%
Finance expense	(2,421)	(1,689)	732	43.3%
Profit before income tax expense	54,488	45,021	9,467	21.0%
Profit after income tax expense	38,154	30,830	7,324	23.8%
Profit after tax attributable to members	38,116	30,779	7,337	23.8%
Revenue margin %	5.5%	5.5%	0.0%	0.0%
EBITDA margin %	21.6%	19.7%	1.9%	9.6%
	FY19 Cents	FY18 Cents	Change Cents	Change %
Basic earnings per share	31.5	26.1	5.4	20.7%
Diluted earnings per share	30.9	25.9	5.0	19.3%
Interim dividend per share	8.0	7.0	1.0	14.3%
Final dividend per share	12.5	11.0	1.5	13.6%
Total dividends per share	20.5	18.0	2.5	13.9%

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

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

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



YEAR IN REVIEW

Overview of results

Helloworld Travel has delivered a strong FY19 result, with increasing TTV from its business expansion, steady revenue margins and improved EBITDA margins. The strategic focus on growing the business and its network at profitable margins has resulted in Helloworld Travel delivering an EBITDA of \$77.3 million, an increase of \$13.3 million or 20.8% compared with the prior year. This result represents the third successive year of strong financial performance led by growth from business acquisitions, retail network expansion, improved contracting outcomes, greater brand awareness and strategic investment to support business growth. Profit before tax was \$54.5 million, an increase of \$9.5 million or 21.0%, and a profit after tax of \$38.2 million, an increase of \$7.3 million or 23.8%.

Helloworld Travel TTV grew to \$6,511.3 million, an increase of 9.1%, driven primarily by the full year impact of business acquisitions undertaken in the second half of the prior year including the Magellan Travel Group, Flight Systems and Asia Escape Holidays and the addition of Show Group acquired in December 2018. In addition there was strong TTV growth from retail network expansion partially offset by the rationalisation of ticketing customers as the business focuses on profitable revenue streams. Revenue grew by 9.8% to \$357.6 million led by the inclusion of the business acquisitions and strong trading outcomes from the Australia and New Zealand retail divisions, partially offset by reduced company owned stores and lower trading from the wholesale and inbound division.

Revenue margin was maintained and is in line with the prior year at 5.5% for the year, supported by improved contracting outcomes, reduced TTV from lower margin Air Tickets customers, and the inclusion of higher margin Show Group TTV. This was partially offset by the continued change in business unit mix with TTV growth coming from lower margin retail and corporate businesses.

Operating costs increased by 7.7% to \$283.7 million reflecting the inclusion of the cost base of business acquisitions. Excluding acquisitions, operating costs were 2.1% below the prior year. The Group continued its focus on initiatives to deliver efficiencies and control costs across the group, while at the same time increasing its investment in the business brand, technology and people to ensure future benefits and improved operating margins. During the current year operating costs included the fair value adjustment on the put option valuation for the remaining 40% purchase in Asia Escape Holidays, this represents a benefit of \$2.4 million to operating costs.

Profit on disposal of investments is \$2.0 million in the current year which reflects the proceeds from the sale of the Insider Journeys business and the sale of an investment property. In the prior year, the profit of \$0.1 million represented the sale of the Group's investment in Down Under Answers LLC.

Equity accounted profits decreased by 4.8% to \$1.4 million reflecting increased operating costs in the MTA business as it consolidates its position for future growth, partially offset by the improved performance of equity accounted investments in Helloworld Travel Mackay and the Hunter Travel Group.

From a segment perspective, the Australian segment EBITDA was up 14.1% to \$65.0 million; the New Zealand segment EBITDA was up 68.1% to \$11.6 million; and the Rest of World segment EBITDA was up 286.2% to \$0.8 million. A detailed review of the segment operational results is on pages 21 to 27.

Depreciation and amortisation expense increased by \$3.1 million to \$20.4 million reflecting increased capital investment to support business growth and amortisation of intangibles acquired from business acquisitions.

Finance expense increased by 43.3% to \$2.4 million due to the higher level of borrowings held to fund the business acquisitions and capital expansion.



Shareholder returns

The Group's continued strong business performance has delivered an earnings per share of 31.5 cents compared with 26.1 cents in the prior year. Diluted earnings per share was 30.9 cents compared with 25.9 cents in the prior year.

Helloworld Travel has declared a final fully franked dividend of 12.5 cents per share for the year ended 30 June 2019, payable in September 2019. This brings total dividends declared or proposed to 20.5 cents per share, an increase of 2.5 cents per share or 13.9% from the prior year. The total dividends declared of 20.5 cents per share represents an expected dividend distribution of \$25.6 million, equating to a dividend payout ratio of 67.0% for the year ended 30 June 2019.

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

Acquisitions and disposals

Helloworld Travel has made two business acquisitions during the current year and completed the disposal of its Insider Journeys business. These transactions have met the strategic and financial objectives established by the Board of Directors.

Acquisitions

In the current year, Helloworld Travel continued to grow through business acquisitions that complement the Group's existing businesses, expanding future product offerings leading to an increased network of agents, suppliers and customers. The full year benefit of these acquisitions will be reflected in FY20 and will deliver increased financial shareholder returns in future financial years.

The acquisitions have been outlined below:

On 20 December 2018, Helloworld Travel acquired 100% of the Show Group business for a total consideration of \$7.0 million. Show Group is a leading travel management specialist and freight logistics organisation serving the entertainment, film, arts, fashion, corporate and sporting industries. The acquisition complements Helloworld Travel's growing travel management business, expanding into the specialised travel and logistics segment with additional expertise, knowledge and capability.

On 5 June 2019, Helloworld Travel New Zealand acquired 100% of the Williment Travel Group for a total consideration of \$0.8 million. Williment Travel Group is a New Zealand business that has gained a reputation as New Zealand's premier sports tour specialist for a broad range of sporting codes including rugby sevens, motor racing, tennis, rugby league, horse racing, netball, cricket, golf and rugby union. The acquisition will add a new dimension to the New Zealand business and will open up the additional offerings Williment has to the market via Helloworld network members.

Disposals

On 30 June 2019, the Group disposed of its Insider Journeys business to Eight at Work Holding Pty Ltd for a total consideration of \$2.4 million, resulting in a profit on disposal of \$2.0 million. The Insider Journeys business, previously known as Travel Indochina, operates small group journeys and tailor-made holidays, specialising in group tours through Asia. The business was not considered core to Helloworld Travel's future strategy and does not have a material impact on the Group's consolidated results. A preferred partner arrangement was entered into with the purchaser to ensure the TTV continues to be serviced by Helloworld Travel.

Liquidity and funding

As at 30 June 2019, the Group held a cash balance of \$204.8 million (30 June 2018: \$203.5 million). Helloworld Travel's overall large cash position continues to be well managed, balancing operational requirements with capital expenditure expansion initiatives that are generating future profitable growth opportunities, whilst continuing to increase dividends to shareholders.

As at 30 June 2019, the Group held external borrowings of \$56.4 million (30 June 2018: \$41.5 million) with available headroom on its debt facilities of \$21.0 million (30 June 2018: \$7.8 million). During the current year, the Group increased its debt by \$16.8 million and increased its existing secured long term debt facility by \$10.0 million to \$70.0 million. The increased level of borrowings was implemented to fund the Show Group acquisition and fund new business opportunities. In addition, on 4 April 2019 Helloworld Travel entered a new two year debt facility of \$20.0 million with the Westpac Banking Corporation ensuring sufficient available headroom to fund future product and business initiatives. The new two year facility is unused as at 30 June 2019. The overall level of debt held by Helloworld Travel remains low compared with the cash balance, total assets and market capitalisation of the Group.



Helloworld Travel has generated operating cash flows from trading activities of \$40.5 million, a decrease of \$1.5 million compared with the prior year. The significant growth in current year EBITDA was offset by the movement in working capital and higher income taxes paid. The working capital movement is mainly due to the large increase in accrued override commission revenue reflecting the timing of past completed contracts being settled and the significant growth in commission revenue derived from current airline and supplier contracts in progress. The income tax paid increase reflects the catch up of prior year tax paid in the current year and the higher instalments of current year income tax from the increasing business profits.

Capital expenditure (excluding investments) amounted to \$27.6 million, an increase of \$9.9 million compared with the prior year led by the increased investment in network expansion, brand and technology solutions to future proof the business and generate future growth opportunities. Capital expenditure continues to be tightly controlled and is subject to significant due diligence before the expenditure is undertaken.

Helloworld Travel continues to manage a strong balance sheet, holding a high level of operating cash and positive net current assets, supported by secured long term debt facilities. As a result, Helloworld Travel is well placed for future long-term sustainable growth.

Network growth

Helloworld Travel's retail network has grown to 2,447 members across Australia and New Zealand, an increase of 224 since 30 June 2018. The Helloworld Travel branded network continues to expand its footprint across Australia, a total of 26 new agencies opened during the year with eight under-performing agencies leaving the network, for a net increase of 18 agencies. Overall, the Australian retail network grew to 1,871 members as at 30 June 2019, evidencing the strong value proposition offered by Helloworld Travel to its retail member network.

The New Zealand network has seen significant expansion in FY19 and now has a total of 576 agency members, up from 369 members as at 30 June 2018. The increase was led by the additions of mid to large sized agencies Gilpin Travel, Barlow Travel and Atlas Corporate Travel and Events joining the New Zealand network. In addition, the NZ Travel Brokers group of 179 members joined the New Zealand network in June 2019. The New Zealand retail network expansion adds approximately \$300.0 million of annualised TTV to the group, with the full year benefit to be reflected in the FY20 financial results.

Investment in the brand

Helloworld Travel continues to make significant investment in consumer marketing, advertising and sponsorship to strategically accelerate Helloworld Travel's brand presence. Key initiatives implemented during the current year include:

- The first in market platinum media partnership with Newscorp provides significant reach through its print and digital channels delivering high level results from a branding and tactical perspective.
- Launched the Helloworld Travel TV program. The program aired in Australia nationally, with 20 episodes from October 2018 through to March 2019. The program was watched on average by an audience of over 400,000 and was very well received by viewers, which helped to drive sales across Helloworld Travel branded and associate networks in Australia.
- At the 2019 Australian Open Tennis, Helloworld Travel hosted its own exclusive lounge facility on-site for clients who purchased packages through Helloworld Travel's key internal wholesale brands.
- Partnered with United Petroleum for a national Easter promotion which saw the Helloworld Travel brand rolled out across 330 United Petroleum sites nationally. The partnership provided Helloworld Travel network members in regional and city centres the opportunity to connect with a new audience in their local market.

Investment in technology

Helloworld Travel is committed to continuing to invest in developments in technology and innovation across the business to improve the automation of travel solutions and product offerings to customers. Key developments in the current year included an upgraded retail ResWorld mid office system, white-labelled agent websites, upgraded Air Tickets booking system, relaunch of wholesale agent platform ReadyRooms and new cruise platforms, enhancement of corporate customer interface solutions, improved mobile booking solutions and the deployment of the Amadeus 'Cytric' product in the QBT brand.

In FY19, Helloworld Travel Business Insights was launched. The dashboard technology allows agents to track key business metrics in real-time and identify areas of focus to boost performance, providing benchmarking across the network. New features include incentive dashboards, forward sales functionality and airline incentive tracking to help agents plan for the future and gain a better understanding of cash flow.

Investment in people

Helloworld Travel established a new direction in its talent strategies by developing and implementing a new Corporate Training Program initiative. The program is designed to give new trainees an entry pathway to a career in travel. The inaugural group of trainees have now been integrated into the business, and will continue to develop and learn, strengthening the pipeline of employees progressing within the company and the industry.

Helloworld Travel Community Fund

The Helloworld Travel Community fund actively encourages staff to recommend activities in their local communities for the Group to support. During the current year, Helloworld Travel staff and the Helloworld Travel Community Fund have provided support and donations to a wide variety of very worthy causes including:

- the School of St Jude in Tanzania;
- the Auckland Womens Refuge;
- Share the Dignity campaign;
- Family Life Christmas Appeal;
- Bella Pollacco Benefit Fund; and
- Buy a Bale campaign.

Segment review

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

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

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

The Board assesses the performance of the segments based on several measures including TTV, revenue, EBITDA, profit before tax and associated key ratios. The segment results for Australia, New Zealand and Rest of World segments have been extracted from note 6 to the financial statements.

Australia Segment

	FY19 \$'000's	FY18 \$'000's	Change \$'000's	Change %
Total Transaction Value (TTV)	5,574,146	5,066,317	507,829	10.0%
Revenue	282,777	249,732	33,045	13.2%
Operating expenses	(219,263)	(194,449)	24,814	12.8%
Profit on disposal of investments	20	139	(119)	(85.6%)
Equity accounted profits	1,437	1,509	(72)	(4.8%)
EBITDA	64,971	56,931	8,040	14.1%
Revenue margin	5.1%	4.9%	0.2%	4.1%
EBITDA margin	23.0%	22.8%	0.2%	0.9%

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

Retail

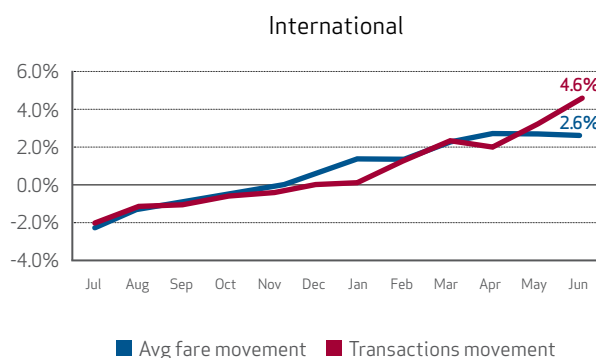
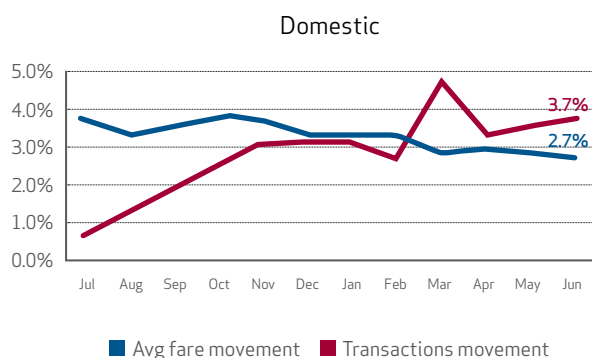
In Australia, the Group has a range of retail operations. The operations act as a franchisor for multiple award-winning retail travel agency networks, including Helloworld Travel Branded, Helloworld Travel Associate and Helloworld Business Travel. The retail distribution operations also include the membership groups of Magellan Travel, a network of corporate and leisure agents, My Travel Group, an independent network of agencies and a 50% holding in MTA representing the specialist travel brokers.

The retail division contains the online channel of helloworld.com.au and Flight Systems, enabling the distribution of travel products through Helloworld Travel's multiple distribution channels. The retail operations are underpinned by their ticketing division Air Tickets, being the distributor and ticketing services consolidator to the internal retail network and to over 400 external

independent agents. Air Tickets operates in all Australian states with world class technology allowing agents to issue tickets 24 hours a day, seven days a week. Air Tickets continues to invest in innovative ticketing technology and is considered one of Australia's leading airfare distribution and ticketing services consolidator.

The retail distribution division performed strongly in FY19, underpinned by revenue margin improvement. TTV was up 10.4% boosted by the inclusion of prior year business acquisitions and Magellan Travel and Flight Systems and stable airfare prices, which was offset by the rationalisation of Air Tickets customers as the business focuses on profitable revenue streams. Airline ticketing transaction volumes continue to perform strongly in both corporate and leisure sectors with growth in FY19 of 4.6% in the international market and 3.7% in the domestic market. Following a stabilisation of airfares towards the end of FY18, average international airfares increased by 2.6% mainly due to steady pricing and capacity positions from key airlines.

12 month airfare and transaction movements – Australia



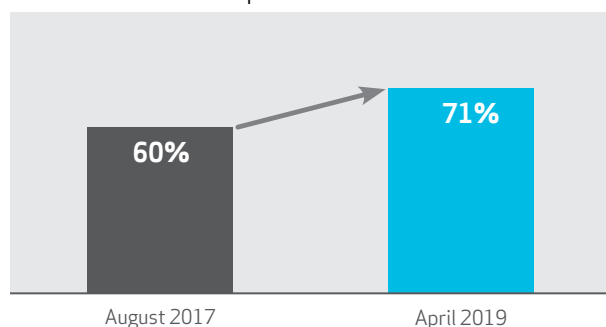
Note: Trend based on 12 month rolling average adjusted for the impact of international Online Travel Agents and network movements.

The Australian retail network continues to expand organically with a total of 1,871 members, a net increase of 17 members since 30 June 2018. Member engagement is strong and continues to grow as evidenced by the highly successful Helloworld Travel Owners Managers Conference (OMC) and Business Travel Summit held in Ho Chi Minh City, Vietnam. The OMC was combined for Australia and New Zealand members for the first time, creating a mega conference event with over 700 delegates, a record number of attendees highlighting the growing brand presence and support of the network.

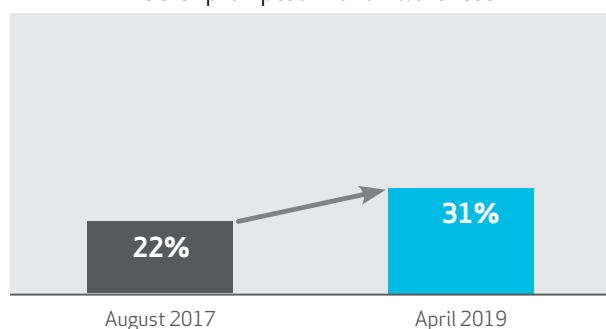
The Magellan Travel and Flight Systems businesses, acquired in the prior year have been successfully integrated into the Helloworld Group, adding significant commercial strength and business technology capabilities to the retail network.

Helloworld Travel is focused on growing brand recognition of the branded and associate networks through key marketing initiatives, including the launch of the Helloworld Travel TV show and as a platinum partner in the travel sector with News Corporation. The strategy is proving successful with the Group's recent independent research showing the advertising and marketing initiatives have delivered greater brand awareness with unprompted brand recall increasing over the last two years, up from 22% to 31% while prompted brand awareness is up from 60% to 71%.

AUS Prompted Brand Awareness



AUS Unprompted Brand Awareness



Wholesale & Inbound

The Group's wholesale businesses in Australia operate a range of brands including Qantas Holidays, Viva Holidays, Sunlover Holidays, ReadyRooms, The Cruise Team, Seven Oceans, and Territory Discoveries. These businesses package air, cruise and land products for sale through retail travel agency networks as well as other third-party retailers in Australia. The inbound business is the largest provider of inbound travel services in Australia, offering travel services to clients in over 70 countries worldwide. These businesses include AOT Inbound, ATS Pacific and Experience Tours Australia (ETA).

The Australian wholesale & inbound operations TTV increased by 6.4% on the prior year. Wholesale sales have grown with the full year impact of Asia Escape Holidays and strong performance from cruise sales. Inbound sales were below last year in a competitive environment but positively impacted by the growing China market and the ongoing strength of the UK market. Revenue margins declined slightly which was largely driven by product mix with strong growth in the lower margin cruise sales.

The wholesale business continues to improve its product offering with the relaunch of its ReadyRooms platform and implementation of a new cruise booking system. The enhanced ReadyRooms portal has been well received by agents with sales through the platform increasing by more than 28% compared with the prior year. In addition, the wholesale business rolled out exclusive 'flash sales' packages in print and digital media, providing a new line of products to meet agents' demands in an ever changing dynamic landscape.

Asia Escape Holidays was acquired in May 2018 and is now fully integrated into the business, complementing Helloworld Travel's existing wholesale businesses and providing the Group with a trade focused brand that has expertise and speed to market in the key Asia destinations. The business is benefiting from a new logo, the launch of Helloworld Travel branded products and a new 'flash sales' initiative which has led to strong underlying revenue growth.

Inbound operations TTV performed below the prior year, impacted by some movement in client requirements in the first half of FY19 and a rationalisation of the distribution channel with certain partners. The New Zealand market performed very well this year with continued strong demand for Free Independent Travel (FIT). Technology upgrades in the second half of FY19 have the Inbound operations well placed to grow market share in future years.

The overall Australian inbound market continues to grow. In the last 12 months, total international tourists entering Australia grew by 3.1%. As Australia's largest inbound tour operator with prominent brands including AOT Inbound, ETA and ATS Pacific, Helloworld Travel is well positioned to capitalise on this key growth sector.

Corporate

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

The corporate division has expanded through the acquisition of Show Group in December 2018. Show Group is proving to be a valuable addition to the Helloworld Travel corporate division recording a strong performance in the second half of FY19 with both travel and freight businesses performing well. The integration of the Show Group business is still ongoing and expected to be completed in FY20. QBT and AOT Hotels provided strong TTV growth of 4.4% and 8.6% respectively, led by the addition of new clients and volume growth with government related accounts.

The corporate division had a successful year securing new clients with an annualised TTV totalling more than \$50.0 million. In December 2018, QBT was appointed the sole provider of travel management services for the South Australian Government. In June 2019, the Department of Finance extended its agreement with QBT for travel management solutions for a further two years through to 30 June 2021. The current year developments have further strengthened Helloworld Travel's position and expertise in the government travel sector. The Group continues to provide travel management services for the Federal Government (WoAG program), the ACT Government and the Northern Territory Government.

Helloworld Travel investment in Inspire Travel Management, an indigenous travel management company, has also performed very well having been selected to manage Australia Post's significant corporate travel program in future years, which follows key account wins with energy provider ATCO and superannuation fund Cbus during the current year.

Summary

The Australia segment generated strong TTV growth in the current year across all divisions driven by the enlarged business and product offerings through recent acquisitions. Revenue increased by 13.2% from the inclusion of business acquisitions and improved revenue margins in the retail business partially offset by lower trading from the Inbound division.

The revenue margin for the year increased by 0.2% to 5.1% led by improved contracting outcomes and higher margins in the Air Tickets business, partially offset by a change in business unit mix with lower trading in the higher margin wholesale and inbound businesses. The Group continues to focus on growth of profitable revenue streams and driving increased network sales through our preferred partner suppliers to maximised returns.

Operating costs increased due to higher variable selling expenses associated with the retail network revenue growth and the inclusion of the fixed operating cost base from the business acquisitions. In addition, Helloworld Travel has increased its advertising and marketing expenditure with the launch of the Helloworld television program and a new strategic partnership with News Corporation. The cost increase was partially offset by ongoing cost reduction initiatives with the objective of continuing the past financial year trend of increasing EBITDA margin return ratios into FY20.

Overall the segment reported an EBITDA of \$65.0 million, a strong result representing growth of \$8.0 million or 14.1% from the prior year. EBITDA margin increased from 22.8% to 23.0% in FY19 across the Australian operations.

Awards

The Australia segment was well recognised at the July 2019 National Travel Industry Awards, with Magellan Travel awarded Best Non-Branded Travel Agency group, Qantas Holidays & Viva Holidays awarded Best Wholesaler – Australia Product, Air Tickets awarded Best Agency Support Services, Veronika Panzic from Show Group awarded Best Travel Consultant Corporate and over 50 finalists across the Helloworld Travel group.

New Zealand Segment

	FY19 \$000's	FY18 \$000's	Change \$000's	Change %
Total Transaction Value (TTV)	851,904	803,716	48,188	6.0%
Revenue	59,181	57,169	2,012	3.5%
Operating expenses	(47,576)	(50,265)	(2,689)	(5.3%)
EBITDA	11,605	6,904	4,701	68.1%
Revenue margin	6.9%	7.1%	(0.2%)	(2.8%)
EBITDA margin	19.6%	12.1%	7.5%	62.0%

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

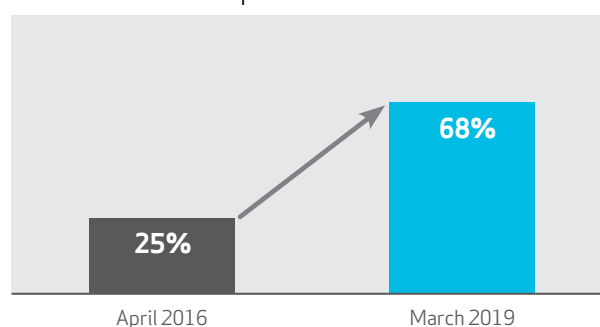
Retail

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

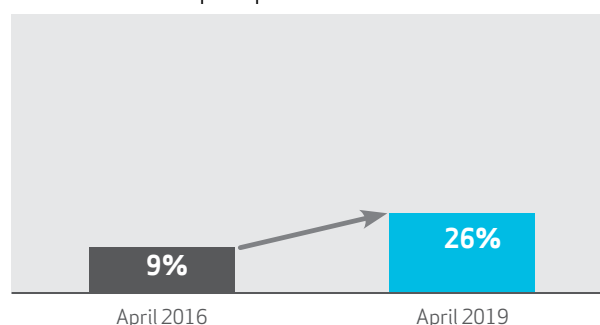
The New Zealand retail network has significantly increased member numbers during the year including the additions of associate members Gilpin Travel, Barlow Travel and Atlas Corporate Travel which joined during 2019. The NZ Travel Brokers group joined the network in June 2019 taking the total number of brokers in the New Zealand network to more than 280 members. Helloworld's varying retail networks have a very strong value proposition which is providing a significant attraction for new agents to join.

The expansion brings the total retail network in New Zealand to 576 members as at 30 June 2019, an increase of 207 members since 30 June 2018 and follows the previous two years of network growth led by an increase in branded agencies and expansion of the My Travel Group network. The positive momentum of the retail network is reflected in the growing brand awareness with prompted awareness increasing from 25% to 68% and unprompted branded awareness increasing from 9% to 26% in New Zealand since April 2016.

NZ Prompted Brand Awareness

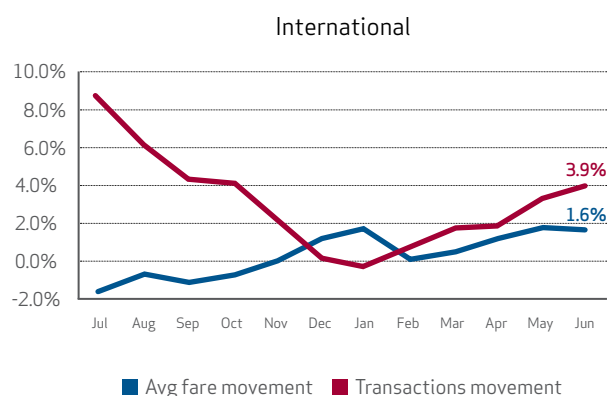
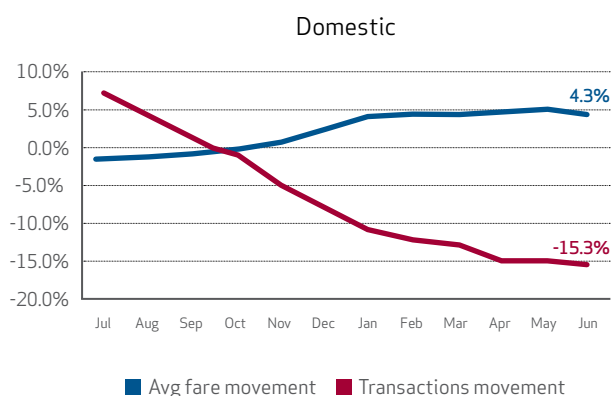


NZ Unprompted Brand Awareness



The New Zealand airfare prices remained relatively steady in the current year with an overall increase of 4.3% in average airfares for domestic and 1.6% for international. Domestic transactions decreased by 15.3% impacted by the rationalisation of some unprofitable corporate clients early in FY19. International transactions increased by 3.9% which was driven by the New Zealand member network expansion in the second half of FY19.

12 month airfare and transaction movements – New Zealand



Note: Trend based on 12 month rolling average.

Wholesale & Inbound

The Group's wholesale business, Go Holidays, procures air, cruise and land product for packaging and sale through retail travel agency networks and other third-party retailers. The Group's inbound businesses of ATS Pacific and AOT New Zealand offer travel services to clients in over 70 countries worldwide.

The New Zealand wholesale and inbound operations delivered a strong year on year operational performance providing improved EBITDA contributions. Go Holidays continues to be well supported by the Helloworld Travel retail network and has benefited from an expanded product range and growing support from the networks. Inbound operations increased sales by 7.3% compared with the prior year driven by strong demand from the UK and USA markets.

Corporate

The Group's corporate travel management services division offers travel management services to corporate and government customers including booking flights and accommodation, through the APX, and specialised events services through GO Conference & Incentives (C&I) and Williment Travel Group.

APX's TTV was lower than the prior year, impacted by the rationalisation of clients and lower government spend which was partially offset by the growth delivered from new customers, including the large corporate client of Fonterra won in FY18. APX was reappointed to the New Zealand All of Government (AoG) Travel Management Services five member panel in March 2019. The new agreement is effective from 1 July 2019 for an initial five-year term with two further two-year renewal options.

The GO C&I business grew TTV by 22.7% benefiting from an increase in group bookings in the first half of FY19.

The inclusion of sports travel specialist, Williment Travel Group acquired in June 2019, will open up new product offerings to the existing Helloworld Travel network and expand its reach in the travel market, with the benefits expected to be realised in FY20.

Summary

The New Zealand segment generated TTV of \$851.9 million, an increase of 6.0% compared with the prior year reflecting the expanded retail footprint. Revenue increased by 3.5% from increased sales volume and improved contracting outcomes. The increase was partially offset by the full year impact of reduced company owned stores and reduced transaction volumes in wholesale and APX due to the focus on profitable margins.

The revenue margin for the year decreased to 6.9% from 7.1% reflecting a change in business unit mix with TTV growth in lower margin retail air business, in addition to reduced sales from company owned stores that had a higher revenue margin, but lower overall profitability.

EBITDA grew to \$11.6 million, an increase of 68.1% compared with the prior year reflecting the strong retail revenue growth and lower operating costs from technology and productivity efficiencies that included the centralisation and rationalisation of key functions. Overall the New Zealand segment has improved its EBITDA margin to 19.6% compared with the prior year of 12.1% driven by its profitable growth initiatives.

Awards

In September 2018, at the TAANZ NTIA Awards, Helloworld was awarded Best Travel Agency Brand, the New Zealand wholesale business, GO Holidays, won the award for Best Wholesale Brand and The Travel Brokers won the award for Best Broker Brand.

Rest of World (ROW) Segment

	FY19 \$000's	FY18 \$000's	Change \$000's	Change %
Total Transaction Value (TTV)	85,249	96,756	(11,507)	(11.9%)
Revenue	15,604	18,787	(3,183)	(16.9%)
Operating expenses	(16,844)	(18,592)	(1,748)	(9.4%)
Profit on sale of investments	1,993	-	1,993	-
EBITDA	753	195	558	286.2%
Revenue margin	18.3%	19.4%	(1.1%)	(5.7%)
EBITDA margin	4.8%	1.0%	3.8%	380.0%

This segment consists of Insider Journeys (operating in South East Asia), Tourist Transport Fiji (TTF) and Qantas Vacations, Travel2 and Islands in the Sun (operating in North America), in addition to the ATS Pacific inbound business in Fiji.

TTV and revenue for the ROW segment were below the prior year primarily reflecting challenging market conditions for the USA and Insider Journeys businesses. TTV for the Fiji businesses remained steady despite being impacted by lower cruise sales.

The ROW segment generated EBITDA of \$0.8 million, with operating losses of Insider Journeys and Wholesale USA being offset by the \$2.0 million profit on sale of the Insider Journeys business and operating profits of the Fiji businesses. Operating costs were 9.4% lower than the prior year as the segment focuses on right sizing of the cost base through cost reduction initiatives to rationalise the business where appropriate to improve future profitability.

Indochina

Insider Journeys continued to face challenges with softening of the Australian outbound market to its key destinations as well as increased competition with aggressive pricing and heavy discounting. Insider Journeys was sold on 30 June 2019 as the business was no longer considered core to Helloworld Travel's future strategy.

USA

TTV for the Group's USA business was 7.9% lower than the prior year. The softer trading environment was caused by an increase in air capacity across the Pacific from mainland USA prompting airfare discounting, which has driven prices down significantly.

The business has undergone a year of transition with a new local leadership team and restructured sales, operations and marketing divisions. Significant in-roads have been made in cost saving measures to right size the cost base through productivity efficiencies, which included the

closure of the company's Toronto sales office following stagnating sales from Canada. The business continues to implement initiatives to drive future profitability including the launch of 'Travel2Online' an online booking system for agents in addition to the re-negotiation and renewal of key consortia distribution.

Fiji

The Group's Fiji based businesses, ATS Pacific (Inbound) and TTF Fiji (Transport) performed well during the current year by maintaining sales levels in line with the prior year despite the challenges of higher incoming cruise ship cancellations. During the current year, the TTF Fiji business continued to utilise its vehicle portfolio effectively and recent fleet upgrades will continue into FY20 ensuring TTF Fiji maintains its position as Fiji's premier transport operator and ground handler.



Outlook & economic sustainability

The Travel Industry continued to grow strongly during the past year in all segments in which the Group operates, however, growth slowed towards the end of FY19. Economic growth both domestically and globally, is expected to continue but at more moderate rates and this may flow through to the travel markets in which we operate. Lower growth and inflation estimates have resulted in a reduction in interest rates which may provide a stimulus to the economy and increase household incomes. International tourist arrivals to our markets have consistently outpaced global economic growth and all indications are that this trend will continue. The number of outbound trips is also expected to continue to grow. From a corporate travel perspective, economic performance remains stronger but more moderate than in the previous year. Business confidence will continue to drive corporate travel activity.

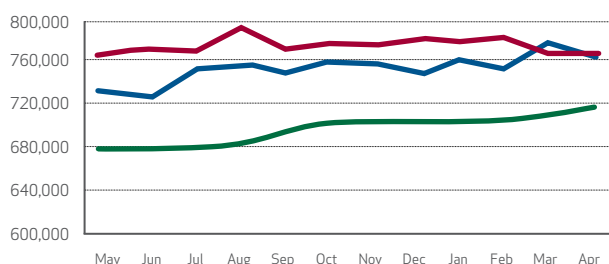
The Group's focus in the 2020 financial year will be on growing revenue and margins and extracting further efficiencies in its operations and cost base to improve key profitability margin metrics.

During the current year, Helloworld Travel has made a number of strategic acquisitions. The full year benefit of these acquisitions will be reflected in FY20 and are expected to increase shareholder returns in future financial years.

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

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

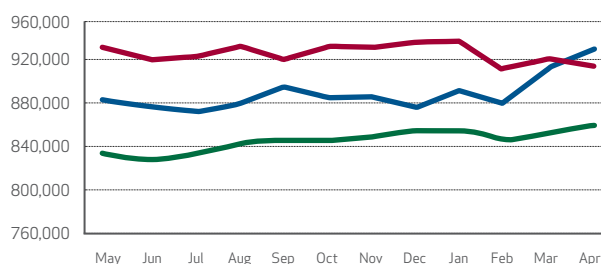
Total Inbound Tourists to Australia



■ Total number of tourists 2018 ■ Total number of tourists 2019
■ 5 year average

Source: April 2019 Short-term Movement, Visitor Arrivals - Selected Countries of Residence: Seasonally adjusted

Total Outbound Australian Travellers



■ Total number of travellers 2018 ■ Total number of travellers 2019
■ 5 year average

Source: April 2019 Short-term Movement, Residents Returning - Selected Destinations: seasonally adjusted



Business Risks

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

Demand risk

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

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

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

Competition and margin risk

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

Foreign exchange exposure

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

Key customers and suppliers

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

Technological advances

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

Reliance on key personnel

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

Agent Network

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



Information technology security

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

Environmental and social sustainability

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

People

At 30 June 2019, Helloworld Travel has 1,824 Full Time Equivalent (FTE) employees. This is an increase of 17 from the 1,807 FTE at 30 June 2018. The increase reflects the addition of the Show Group businesses partially offset by the disposal of the Insider Journeys business and a continual focus on process and technology efficiencies. The total number of people employed across the Group at year end was 1,893 (2018: 1,898) of which 70% (2018: 70%) are female.

Employee expenditure for the year ended 30 June 2019 increased by \$9.0m or 6.9% to \$139.4m, due to the addition of the Show Group business and the full year impact of the FY18 acquisitions undertaken, partially offset by continued cost reduction from improving processes and enhancing technology use.

While the majority of the Group's employees are based in either Australia, New Zealand or Fiji, the Group has employees in many other countries.

The FTE breakdown by country is as below:

Australia	1,136	(62%)
New Zealand	336	(19%)
Fiji	163	(9%)
India	117	(6%)
USA	35	(2%)
Philippines	33	(2%)
Other	4	(0%)
	<u>1,824</u>	

Capital structure

At 30 June 2019, Helloworld Travel had 124,658,076 shares on issue of which the Executive Directors, Andrew Burnes and Cinzia Burnes, along with their Director related entities, own 31.4%. Sintack Pty Limited and its associates hold 17.7%, QH Tours Limited (a subsidiary of Qantas Airways Limited) holds 15.4%, with the remaining 35.5% being held by other shareholders including management.

During the current year, the number of shares increased to 124,658,076 reflecting the issue of 150,000 shares under the LTIP.

Significant events after the balance date

With the exception of the following item, the Directors are not aware of any matter or circumstance that has arisen in the interval between 30 June 2019 and the date of signing of this report that has significantly, or may significantly, affect the operations of the Group, the results of the operations of the Group or the state of the Group's affairs in future financial years.

Final Dividend

On 21 August 2019, the Directors resolved to pay a 100% franked final dividend of 12.5 cents per ordinary share.

Likely developments

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

Regulation

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

Helloworld Travel is an accredited member of the International Air Transport Association (IATA). Ongoing accreditation allows the company to sell international and/or domestic airline tickets on behalf of IATA member airlines. It also allows access to IATA's Billing and Settlement Plan (BSP), which is an efficient interface for invoicing and payment between the travel agent and airlines.

Indemnification and insurance of Directors and officers

Indemnification

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

- (a) any liability (other than for legal costs) incurred by the Director or executive officer;
- (b) any legal costs reasonably incurred by the Director or executive officer in connection with;
- (i) any claim brought against or by the Director or executive officer of the Company; or

- (ii) any investigative proceeding, including (without limitation) in obtaining legal advice for the purposes of responding to, preparing for or defending any of the above; and
- (c) any legal costs reasonably incurred by the Director or executive officer in or in connection with the discharge of the Director or executive officer's duties as an officer of the Company, provided that the advice is obtained in accordance with the Board Charter which requires approval from the Chairman who will facilitate the obtaining of the advice and, where appropriate, disseminate the advice to all Directors.

Insurance premiums

The Company has paid insurance premiums of \$140,313 during the financial year to cover current and former Directors' and officers' liability and legal expenses. The insurance premiums relate to:

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



LETTER FROM THE REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder,

On behalf of the Board, I am pleased to present Helloworld Travel Limited's Remuneration Report for 2019.

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

Company performance and remuneration outcomes in 2019.

The company's performance during the year was achieved through the determined focus by the company's senior executive and their teams on driving strategic business outcomes, incentivised through remuneration and incentive structures.

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

The Board has continued its commitment to its Long Term Incentive Plan (LTIP) program, consisting of a loan-based share plan, directly linked to Total Shareholder Return (TSR) for executive Key Management Personnel (KMP), and other senior executives excluding Executive Directors. We are confident that the LTIP program complements our existing focus on alignment of executive reward to delivery of the company strategy and ultimately shareholder return.

KMPs have established remuneration packages which allow them to participate in the company's LTIP. Other than Nick Sutherland's Group General Manager – Corporate LTIP shares, which became classified as KMP shares on him being determined to be a KMP on 1 July 2018 following a restructure of the Executive Management Team, there were no grants to KMP under the LTIP during the current year.

The performance conditions attached to the LTIP shares granted in 2016 were met and accordingly these shares vested on 1 July 2019. The Board has determined that a further equity based long term incentive scheme will be put in place to continue to incentivise and reward senior executives to drive the company's performance. It has also been determined that the Executive Directors (CEO and Managing Director, and Group General Manager – Inbound & Wholesale and Executive Director) should have the opportunity to participate in a long term incentive scheme and accordingly the Board will be seeking shareholder approval for an LTIP for the Executive Directors at the 2019 AGM.

In addition, during the year ended 30 June 2019, there were short term incentive payments made to John Constable, Group General Manager - Retail and Commercial and Nick Sutherland, GGM - Corporate based on achievement of individual and business KPIs and objectives. There were no other short term incentive payments awarded for any KMP for the years ended 30 June 2018 and 30 June 2019.

The Board recommends the Remuneration Report to you and asks that you support our remuneration policies and practices by voting in favour of this Report at our 2019 Annual General Meeting.

Yours faithfully

Garry Hounsell

Chairman of the Remuneration Committee
Chairman of Helloworld Travel Limited
21 August 2019

REMUNERATION REPORT (AUDITED)

This 2019 Remuneration Report outlines the remuneration arrangements for the KMP of the Helloworld Travel Limited Group (Group) in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The report contains the following sections:

1 REMUNERATION GOVERNANCE & FRAMEWORK

- 1.1 Persons to whom this report relates
- 1.2 Remuneration governance
- 1.3 KMP executive remuneration framework
- 1.4 Executive remuneration mix
- 1.5 Remuneration changes for 2019

2 EXECUTIVE REMUNERATION

- 2.1 Company performance and remuneration outcomes for 2019
- 2.2 Executive remuneration
- 2.3 Loan funded LTIP
- 2.4 Executive shareholdings
- 2.5 Executive service agreements

3 NON-EXECUTIVE DIRECTOR REMUNERATION

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

1 REMUNERATION GOVERNANCE & FRAMEWORK

1.1 Persons to whom this report relates

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

Directors and other KMP disclosed in this report are:

Name	Position
Non-Executive Directors	
Garry Hounsell	Chairman and Non-Executive Director
Mike Ferraro	Non-Executive Director
Andrew Finch	Non-Executive Director
Executive Directors	
Andrew Burnes	Chief Executive Officer and Managing Director
Cinzia Burnes	Group General Manager, Wholesale & Inbound and Executive Director
Executive KMP	
Michael Burnett	Chief Financial Officer
John Constable	Group General Manager - Retail & Commercial
Simon McKearney	Group General Manager - New Zealand
Nick Sutherland	Group General Manager - Corporate

1.2 Remuneration governance

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

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

1.3 KMP executive remuneration framework

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

The remuneration framework for KMP executives embodies the following principles:

- provide competitive rewards to attract and retain high calibre executives;
- have a portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks;
- directly linking executive rewards to shareholder value; and
- establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

To achieve these principles, the remuneration arrangements of the CEO and KMPs are made up of one or more of the following elements:

Fixed Annual Remuneration (FAR)

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

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

Annually the FAR for each executive is reviewed based on the executive's past performance, changes in responsibility, market factors and relativity to competitors and adjusted where appropriate.

Short Term Incentive ('at risk' remuneration)

Short term 'at risk' components are linked to achievement of individual and company KPIs. Details of these payments for the current year are disclosed in the remuneration tables.

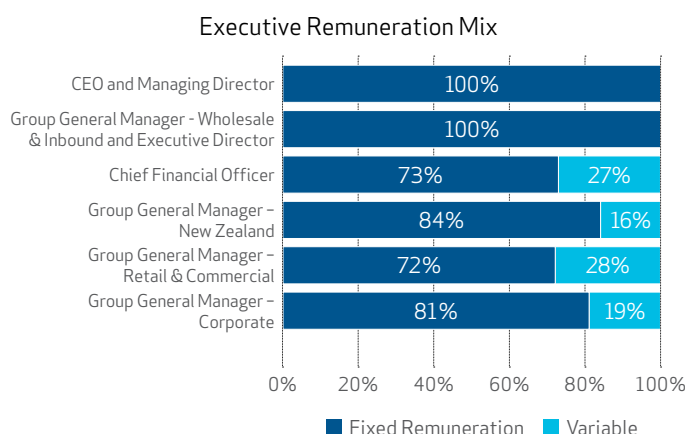
Long Term Incentive ('at risk' remuneration)

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

1.4 Executive remuneration mix

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

The target mix of FY19 remuneration components is as below:



1.5 Remuneration changes for 2019

Short Term Incentive Plan (STIP)

During the 2019 financial year a STIP was paid to John Constable and Nick Sutherland in relation to achievement of their individual and business KPIs.

No other KMP received a STIP during the year ended 30 June 2019. There was no STIP for any KMP for the year ended 30 June 2018.

Long Term Incentive Plan (LTIP)

The LTIP program was implemented in the 2017 financial year to a targeted group of senior leaders including executive KMP. Subsequent allocations were made in FY18. No additional allocations were made to KMP personnel during the current year.

The key criteria for the LTIP scheme are as follows:

- LTIP allocations are limited to key executives and senior leaders reporting to the CEO or senior leaders who are considered critical to the ongoing success of the Group;
- The threshold performance criteria is directly linked to Total Shareholder Return and provides reward on successful marked improvement of Helloworld Travel's return to shareholders over a three year period;
- The executive or senior leader will need to meet individual KPIs as determined by the Board and CEO over the three year period; and
- The initial allocation in the 2017 financial year and the allocations to new KMP in subsequent years were for a three year period.

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

Pursuant to the LTIP, Michael Burnett and Simon McKearney were allocated shares during the year ended 30 June 2017 and Nick Sutherland and John Constable were allocated shares during the year ended 30 June 2018 which included the following attributes:

KMP	Michael Burnett & Simon McKearney	Nick Sutherland	John Constable
Type of Scheme	Loan Funded Scheme		
Scheme Commencement	1 July 2016		
Grant allocation date	1 July 2016	1 July 2017	1 April 2018
Scheme measurement and vesting date	1 July 2019	1 July 2020	31 December 2020
Share VWAP for allocation	\$3.00 per share	\$3.81 per share	\$4.67 per share
50% Vesting	\$4.50 share price/TSR of 14%	\$5.50 share price/TSR of 13%	\$5.50 share price/TSR of 6%
100% Vesting	\$5.50 share price/TSR of 22%	\$6.50 share price/TSR of 19%	\$6.50 share price/TSR of 12%
Performance Criteria	Must meet both TSR and individual KPIs		
KPIs	Determined by the CEO periodically and the achievement of these KPIs would be at the sole discretion of the CEO and Board.		
Loan	A loan will be given to the participant equal to the HLO share value at the grant date and the number of shares issued. The loan is to be repaid to the company after vesting of the shares.		

Refer to note 36: share based payments in the financial statements for further details on the nature of the LTIP. The Board has determined that the KPIs in relation to the shares granted to KMP in 2016 have been achieved. As a result, shares allocated to Michael Burnett (500,000 shares) and Simon McKearney (150,000 shares) vested on 1 July 2019. The vesting target was achieved as the TSR over the three year period was in excess of the TSR performance hurdle set at the commencement of the scheme as well as their individual KPIs. For the LTIP scheme, the Board will have sole discretion about what happens to the shares on any change of control event.

2 EXECUTIVE REMUNERATION

2.1 Company performance and remuneration outcomes for 2019

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

	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
Net profit / (loss) after tax (NPAT)	38,154	30,830	21,591	1,676	(201,111)
EBITDA	77,329	64,030	55,179	25,290	24,051

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

	2019	2018	2017	2016	2015
Basic earnings / (loss) per share (EPS cents)	31.5	26.1	18.8	1.9	(274.0)
Total dividends declared (cents per share)	20.5	18.0	14.0	2.00	-
Opening share price at 1 July (\$)	4.80	4.04	3.08	2.16	1.68
Closing share price at 30 June (\$)	5.07	4.80	4.04	3.08	2.16
Total shareholder return (%)	9.9%	23.3%	35.7%	43.5%	28.6%
Total shareholder return - 3 years (%)	22.0%	33.5%	35.7%	16.1%	(0.9)%

For the fourth consecutive year, key metrics including EBITDA, NPAT and EPS have increased significantly. TSR over the last 3 years has amounted to 22.0%. Helloworld Travel continues to increase revenue and improve margin and profitability ratios, supported by enhanced technology solutions and business process efficiencies.

2.2 Executive remuneration

	Short term benefits			Long term benefits	Post-employment benefits		Share based payments	Termination benefits		
	Salary (\$)	STIP (\$)	Other (\$)	Leave (\$)	Super-annuation (\$)	Other benefits (\$)	LTIP (\$)	Termination payments (\$)	Total (\$)	Performance related percentage
A Burnes (CEO and Managing Director)										
2019	570,000	-	-	12,792	20,532	-	-	-	603,324	0%
2018	480,000	-	-	8,571	20,049	-	-	-	508,620	0%
C Burnes (Group General Manager – Wholesale & Inbound and Executive Director)										
2019	570,000	-	-	12,792	20,532	-	-	-	603,324	0%
2018	480,000	-	-	8,571	20,049	-	-	-	508,620	0%
M Burnett (CFO and Group Company Secretary)										
2019	550,000	-	-	4,855	20,531	-	208,958	-	784,344	26.6%
2018	450,000	-	-	708	20,049	-	128,333	-	599,090	21.4%
J Constable (Group General Manager – Retail & Commercial)										
Commenced 12 February 2018										
2019	570,138	171,041	339,307	-	-	-	180,000	-	1,260,486	27.8%
2018	219,284	-	231,960	-	-	-	45,000	-	496,244	9.1%
S McKearney (Group General Manager – New Zealand)										
2019	327,367	-	-	-	9,821	-	62,688	-	399,876	15.7%
2018	313,895	-	-	-	9,417	-	38,500	-	361,812	10.6%
N Sutherland (Group General Manager – Corporate)										
KMP from 1 July 2018										
2019	376,351	41,250	-	741	20,531	-	52,000	-	490,873	19.0%
R Carstensen (Group General Manager – Corporate)										
Resigned 23 May 2018										
2019	-	-	-	-	-	-	-	-	-	-
2018	406,038	-	-	23,118	20,049	-	(64,167)	-	385,038	(16.7%)
2019 TOTAL	2,963,856	212,291	339,307	31,180	91,947	-	503,646	-	4,142,227	17.3%
2018 TOTAL	2,349,217	-	231,960	40,968	89,613	-	147,666	-	2,859,424	5.2%

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

John Constable was appointed to Helloworld Travel on 12 February 2018 and his remuneration for FY18 reflects the period from 12 February 2018 to 30 June 2018. Mr Constable's short term benefits for the 2018 year comprised housing and motor vehicle allowances and a once-off relocation benefit. His short term benefits for the 2019 year comprise housing, motor vehicle and travel allowances. The cost of these benefits and the associated FBT payable are shown in the table above as short term benefits – other.

Nick Sutherland is classified as a KMP, effective 1 July 2018. As a result the remuneration table reflects the full 2019 financial year with no comparative year information in the table.

John Constable and Nick Sutherland were awarded STIP payments in FY19 in relation to achievement of personal and business KPIs. The STIP for Mr Constable represents 30% of his fixed salary and is the maximum payable. Mr Sutherland's STIP is based on the achievement of certain revenue growth targets and represents the maximum payable. No STIP was awarded in FY18.

Russell Carstensen resigned from Helloworld Travel on 23 May 2018. Mr Carstensen's salary reflects the period from 1 July 2017 to 23 May 2018.

2.3 Loan funded LTIP

As described at section 1.5, a LTIP was established during 2017. The overall objectives of the LTIP are to lock in our key leaders for an extended period of time, whilst at the same time, incentivising them to generate superior long term returns to our shareholders.

During the current year, no shares (2018: 500,000) were issued and allocated to KMP under the loan funded LTIP. The 200,000 LTIP shares previously allocated to Mr Sutherland have been included in the table of KMP shares as a result of Mr Sutherland joining the KMP on 1 July 2018. These shares were valued at the market value at the grant date of 1 July 2017 at \$3.81 per share. The details of the loan funded LTIP are included in note 36 to the Financial Statements: share based payments.

During the year the individual and company performance conditions attached to the LTIP shares granted in 2016 were met and accordingly these shares vested on 1 July 2019. In accordance with the fund rules, the vesting target was achieved as the Total Shareholder Return (TSR) over the three year period was in excess of the TSR performance hurdle set at the commencement of the scheme for vesting.

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

Russell Carstensen resigned from Helloworld Travel during FY18 and his allocated 250,000 shares have been subsequently removed from the KMP table and were sold on market in FY19.

A loan is provided to each participant equal to the market value of the shares at the time of issue. As at 30 June 2019, the loans to the KMP amount to \$4.7 million (30 June 2018: \$4.2 million). The loan is interest free and non-recourse. The loan is to be repaid to Helloworld Travel after vesting conditions are met and must be repaid on the earlier of, the sale of the shares or 10 years after grant date. If the shares fail to vest, the shares will be forfeited and the loan extinguished. During the vesting period, the shares receive dividends as per ordinary paid up shares. The dividends earned on the shares during the vesting period are offset against the loan under the scheme until the loan is repaid.

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

Year ended 30 June 2019		Number of LTIP shares			Loan Value \$			
Name	Opening Balance	Addition as KMP	Addition	Closing Balance	Opening Balance	Addition as KMP	Movement	Closing Balance
Michael Burnett	500,000	-	-	500,000	1,421,356	-	(71,929)	1,349,427
Simon McKearney	150,000	-	-	150,000	426,407	-	(21,579)	404,828
John Constable	500,000	-	-	500,000	2,337,350	-	(71,929)	2,265,421
Nick Sutherland	-	200,000	-	200,000	-	740,025	(28,771)	711,254
TOTAL	1,150,000	200,000	-	1,350,000	4,185,113	740,025	(194,208)	4,730,930

Year ended 30 June 2018		Number of LTIP Shares			Loan Value \$			
Name	Opening Balance	Granted	Removal as KMP	Closing Balance	Opening Balance	Granted	Movement	Closing Balance
Michael Burnett	500,000	-	-	500,000	1,478,182	-	(56,826)	1,421,356
Simon McKearney	150,000	-	-	150,000	443,443	-	(17,036)	426,407
John Constable	-	500,000	-	500,000	-	2,337,350	-	2,337,350
Russell Carstensen	250,000	-	(250,000)	-	739,071	-	(739,071)	-
TOTAL	900,000	500,000	(250,000)	1,150,000	2,660,696	2,337,350	(812,933)	4,185,113

In relation to FY20, the Board has determined that a further equity based long term incentive scheme will be put in place to continue to incentivise and reward senior executives to drive the company's performance. It has also been determined that the Executive Directors (CEO and Managing Director, and Group General Manager – Inbound & Wholesale and

Executive Director) should have the opportunity to participate in a long term incentive scheme and accordingly the Board will be proposing a LTIP for the Executive Directors at the 2019 AGM.

The proposed new equity based long term incentive scheme will not be loan funded. The current loan funded LTIP scheme will continue until its expiry.

2.4 Executive shareholdings

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

EXECUTIVE	Number of shares at 1 July 2018	Additions	Disposals	Addition as KMP	Number of shares at 30 June 2019
Andrew Burnes	12,899,381	61,150	(2,500,000)	-	10,460,531
Cinzia Burnes	12,638,014	-	(2,500,000)	-	10,138,014
The Burnes Group Pty Limited as trustee for The Burnes Group Service Trust	18,480,105	50,000	-	-	18,530,105
Longbush Nominees Pty Ltd as trustee for the Burnes Superannuation Fund	10,000	-	-	-	10,000
Michael Burnett	500,000	-	-	-	500,000
John Constable	500,000	-	-	-	500,000
Simon McKearney	150,000	-	-	-	150,000
Nick Sutherland	-	-	-	200,000	200,000
TOTAL	45,177,500	111,150	(5,000,000)	200,000	40,488,650

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

In September 2018 Andrew and Cinzia Burnes each sold 2,500,000 of their shares which at that time represented approximately 11.4% of the total shareholding of the Burnes' interests in Helloworld Travel. The shares were sold in response to enquiries from domestic and international investors seeking share liquidity opportunities.

Michael Burnett, John Constable, Simon McKearney and Nick Sutherland were granted shares under the LTIP, refer section 2.3 for further details.

2.5 Executive service agreements

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

EXECUTIVE		Notice period to be given by KMP	Notice period to be given by the Company	Termination payments or benefits payable if termination is by the Company
Andrew Burnes	CEO and Managing Director	6 months	6 months	In accordance with normal statutory entitlements
Cinzia Burnes	Group General Manager - Wholesale & Inbound and Executive Director	6 months	6 months	In accordance with normal statutory entitlements
Michael Burnett	CFO and Group Company Secretary	6 months	6 months	In accordance with normal statutory entitlements
John Constable	Group General Manager - Retail & Commercial	6 months	6 months	In accordance with normal statutory entitlements
Simon McKearney	Group General Manager - New Zealand	3 months	3 months	In accordance with normal statutory entitlements
Nick Sutherland	Group General Manager - Corporate	3 months	3 months	In accordance with normal statutory entitlements

3 NON-EXECUTIVE DIRECTOR REMUNERATION

3.1 Non-Executive Director remuneration governance

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

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

3.2 Non-Executive Director remuneration structure

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

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

The Directors' fees have not increased since 1 July 2011. Non-Executive Directors do not receive any performance related remuneration or retirement allowances. The remuneration of Non-Executive Directors for the years ended 30 June 2019 and 30 June 2018 is detailed in the following statutory table. The process for review of Non-Executive Directors' performance is explained in the Corporate Governance Statement.

3.3 Non-Executive Director remuneration

NON-EXECUTIVE DIRECTOR	Short-term benefits		Post-employment benefits	Total (\$)
	Cash salary (\$)	Other (\$)	Superannuation (\$)	
Garry Hounsell (Chairman)				
2019	175,000	-	16,625	191,625
2018	175,000	-	16,625	191,625
Mike Ferraro				
2019	125,000	-	11,875	136,875
2018	125,000	-	11,875	136,875
Andrew Finch				
2019	-	-	-	-
2018	-	-	-	-
Peter Spathis (Former Non-Executive Director) - resigned 16 November 2017				
2019	-	-	-	-
2018	41,342	-	3,927	45,269
2019 TOTAL				
	300,000	-	28,500	328,500
2018 TOTAL				
	341,342	-	32,427	373,769

On 1 January 2017, Mr Finch was appointed to the Board. By agreement, no fees have been paid to Mr Finch or Qantas Airways Limited in relation to his directorship.

3.4 Non-Executive Director shareholdings

NON-EXECUTIVE DIRECTOR	Number of shares at 1 July 2018	Additions	Number of shares at 30 June 2019
Garry Hounsell (Chairman)	78,500	60,000	138,500
Mike Ferraro	9,569	8,000	17,569
Andrew Finch	-	-	-
TOTAL	88,069	68,000	156,069

This concludes the remuneration report, which has been audited.

Auditor Independence

The Directors received the declaration of independence on page 45 from PricewaterhouseCoopers, the auditor of Helloworld Travel. This declaration confirms the auditor's independence and forms part of the Directors' Report.

Non-Audit Services

During the year PricewaterhouseCoopers, has performed certain other services in addition to its statutory duties. Consistent with written advice provided by the Audit & Risk Committee, the Directors have resolved and are satisfied that the provision of these non-audit services is compatible with, and did not compromise, the general standard of independence of auditors imposed by the auditor independence requirements of the Corporations Act 2001. The reasons for this are that all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit & Risk Committee to ensure they do not impact the integrity and objectivity of the auditor. The non-audit services provided do not undermine the general principles relating to auditor independence, as set out in APES 110 Codes of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards. The lead auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 45 and forms part of the Directors' Report for the financial year ended 30 June 2019. Details of the amounts paid to PricewaterhouseCoopers, for audit and non-audit services are set out in note 26 of the Financial Statements on page 92 of the Financial Report.

Rounding

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

Made in accordance with a resolution of the Directors.



Garry Hounsell

Chairman
Helloworld Travel Limited
Melbourne, 21 August, 2019



Auditor's Independence Declaration

As lead auditor for the audit of Helloworld Travel Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in blue ink, appearing to read 'Andrew Cronin'.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
21 August 2019

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CORPORATE GOVERNANCE STATEMENT

Overview

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

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

The Company has reviewed the 4th Edition of ASX Corporate Governance Principles and Recommendations released in February 2019 by the ASX Corporate Governance Council and is working through what changes are required before adoption on or before the year ending 30 June 2021.

This statement is current at 21 August 2019.

1 Laying solid foundations for management and oversight

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

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

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

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

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

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

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

To ensure that Directors clearly understand the requirements of the role, service contracts and formal job descriptions are provided to them.

Senior executive performance

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

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

2 Structure of the Board

Board composition

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

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

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

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

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

Director Independence

As at 30 June 2019, based on the factors relevant to assessing the independence of directors included in the ASX CGP, two Directors, Garry Hounsell and Mike Ferraro, are deemed to be independent.

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

- Andrew Finch is an executive of Qantas, the ultimate holding company of QH Tours Ltd, a substantial shareholder of Helloworld Travel Limited and a company having a material business relationship with the Company as a supplier of product and a customer for distribution services;
- Andrew Burnes is the Company's Chief Executive Officer and Managing Director, and a substantial shareholder of the Company; and
- Cinzia Burnes is the Company's Group General Manager, Wholesale and Inbound, Executive Director and a substantial shareholder of the Company.

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

Independent Decision Making

During the reporting period, the role of Chairman was held by Garry Hounsell. Mr Hounsell is an independent director of the Company.

For the whole of the year Andrew Finch was the nominated member to the Board by QH Tours Ltd. Mr Finch brought to the Board the requisite skills which are complementary to those of the other Directors and enabled him to adequately discharge his responsibilities as a Non- Executive Director.

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

All Directors bring independent judgement to bear on their decisions.

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

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

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

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

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

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

Nominations and Governance Committee

The company has a Nominations & Governance Committee. Its key responsibilities are the nomination, appointment and re-election of directors and are set out in the Nominations and Governance Committee's charter, which is available in the Corporate Governance section of the Company's website.

The following Directors were members of the Nominations and Governance Committee:

- Garry Hounsell (Chairman)
- Andrew Burnes
- Cinzia Burnes
- Mike Ferraro
- Andrew Finch

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

More information regarding the Committee is set out on page 53 in this Corporate Governance Statement under the heading 'Remunerating fairly and responsibly'.

Remuneration Committee

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

- Garry Hounsell (Chairman)
- Mike Ferraro
- Andrew Finch

Details of these Directors' qualifications, their attendance at Remuneration Committee meetings, and the number of meetings held during FY19 are set out in the Directors' Report on pages 10 to 14.

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

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

Board performance

The Board undertakes an annual self-assessment of its collective performance and the performance of its committees, by way of a series of questionnaires. The results are collated and discussed at a Board meeting and

any action plans are documented together with specific performance goals which are agreed for the coming year.

The outcomes from this Board and Committee performance review were:

- That the Board was functioning well with very open communication between management and the Board;
- The mix of skills and experience of the Board is appropriate for the size and complexity of the company with all directors making a strong contribution;
- An ongoing focus on the oversight of emerging and current non-financial risks including the company's management of customer and employee feedback and complaints; and
- A greater focus and more detailed understanding of management's processes for monitoring compliance with the company's Code of Ethics and Conduct.

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

Access to information

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

3 Ethical and responsible decision making

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

Diversity

The Board has established a Diversity Policy which supports the commitment of the Company to an inclusive workplace that embraces and promotes diversity and provides a framework for new and existing diversity related initiatives, strategies and programs within the business. A copy of the policy is available in the Corporate Governance section of the Company's website and the terms are consistent with ASX CGP3.

In accordance with this policy and ASX CGP3, the Board has established the following measurable objectives in relation to gender diversity:

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

During the current year, no new Directors were appointed and no Director retired. The percentage of female personnel reporting directly to the CEO was 38% at 30 June 2019 and 29% at 30 June 2018.

During the year the company delivered the following diversity outcomes:

- Implemented a Reconciliation Action Plan to raise awareness of cultural issues and workplace practices to support the employment of Aboriginal and Torres Strait Islander people;
- Revised our methods in talent attraction and selection in the recruitment of people from diverse backgrounds by removing unconscious biases;
- Enhanced our employee health and wellbeing activities that focus on awareness and assistance. This assistance now extends to immediate family members being able to access company funded wellbeing programs aimed at supporting people who are experiencing mental, financial or legal duress;
- Employed 20 Corporate Trainees across the business to kick-start their careers in travel, and afford them a nationally recognised industry qualification;
- Reviewed our flexible work practices to allow people to balance family and work priorities; and
- Employed dedicated talent experts to source, acquire and benchmark people for our organisation.

Helloworld Travel's specific diversity and inclusion goals and actions for FY20 include:

- Developing a mentoring program to build the capability and skill of female talent for senior leadership roles;
- Continue to review gender pay gaps and set targets to create equality;
- Implement cultural awareness training across the business to acknowledge the diversity of our employee community;
- Enhance the career pathways strategy to incorporate key attributes and leadership behaviours;
- Review our performance development and reward programmes to continue to encourage high performance, and reward key behaviours; and
- Develop our Employee Value Proposition incorporating inclusivity and diversity across our business and brands.

Indigenous initiatives

The Company recognises the importance and prominence of diversity that is currently encouraged across Australia and globally. The Company will continue to focus on a holistic view of diversity as opposed to solely focusing on gender.

Helloworld Travel is proud to support Aboriginal and Torres Strait Island people. A number of initiatives have been implemented leveraging our QBT business to support the ongoing employment and development of indigenous Australians. During the year we have:

- Employed one Account Manager based in Brisbane who is being trained on the job by QBT personnel on corporate travel management practices;
- Developed a Reconciliation Action Plan (RAP), and are working towards its implementation across our business; and
- Senior leaders from our QBT business have participated in an Aboriginal and Torres Strait Islander cultural awareness session to be mindful of cultural norms and leadership practices in the workplace.

We will offer a nationally recognised qualification (Certificate IV in Travel and Tourism) to provide a foundation education to the industry;

The Helloworld Travel Reconciliation Action Plan is designed to:

- Attract and retain indigenous employees; and
- Develop indigenous awareness through communication and training.

Proportion of women in the organisation

There are 1330 female employees in the Group representing 70% of the workforce. There are two female employees in executive roles representing 29% of employees who report directly to the CEO. There is one female on the Board which represents 20% of the Board.

Share trading

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

Protected disclosures

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

4 Integrity of financial reporting

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

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

- Mike Ferraro (Chairman)
- Andrew Finch
- Garry Hounsell

The Audit & Risk Committee charter is available in the Corporate Governance section of the Company's website and the composition, operation and responsibilities of the Committee are consistent with ASX CGP 4.1.

Mike Ferraro, an independent Director, has been the Committee Chairman for the full year. The composition and operation of this committee is consistent with ASX CGP 4.1.

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

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

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

5 Timely and balanced disclosure

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

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

6 Rights of shareholders

The Helloworld Travel Limited Shareholder Communications Policy promotes effective communication with the Company's shareholders and encourages shareholder participation at Annual General Meetings. A copy of this Policy, which deals with communication through the ASX, the Share Registry, shareholder meetings and the Annual Report, may be found in the Corporate Governance section of the Company's website. All of the Company's announcements to the market may also be accessed through the Company's website and the Helloworld Travel Limited Annual Reports since 2014 are posted here.

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

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

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

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

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

7 Recognising and managing risk

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

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

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

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

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

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

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

The Board has received a report from Management as to the effectiveness of the Company's management of its material business risks during the year. The Board has also received from the CEO and CFO a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Information in relation to the economic, environmental and social sustainability risks facing the Company and the manner in which these are managed are included in the Operating and Financial Review on pages 16 to 31 of the Annual Report.

Internal Audit

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

8 Remunerating fairly and responsibly

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

Directors

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

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

Remuneration

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

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

The Remuneration Committee Charter is available in the Corporate Governance section of the Company's website. The composition and operation of this committee is consistent with ASX CGP 8.1. Details of the Directors' qualifications and attendance at Remuneration Committee meetings are set out in the Directors' Report on pages 10 to 14.

Executive management

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

In 2017, a loan based equity LTIP was established and targeted to a group of executives and senior leaders within the business. LTIP allocations are limited to key executives and senior leaders who are considered critical to the ongoing success of the Group. During the current year and 2018 year additional senior leaders were offered the opportunity to participate in the LTIP.

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		CONSOLIDATED 2019 \$'000	2018 Restated \$'000
	Note		
REVENUE	3	357,562	325,688
Employee benefits expenses	4	(139,390)	(130,381)
Advertising and marketing expenses		(35,696)	(30,575)
Selling expenses		(50,543)	(46,864)
Communication and technology expenses		(20,479)	(20,952)
Occupancy and rental expenses		(12,902)	(12,293)
Operating expenses		(24,673)	(22,241)
Profit on disposal of investments	4	2,013	139
Share of profit of associates accounted for using the equity method	13	1,437	1,509
EARNINGS BEFORE INTEREST EXPENSE, TAX, DEPRECIATION AND AMORTISATION (EBITDA)		77,329	64,030
Finance expense	5	(2,421)	(1,689)
Depreciation and amortisation expense	4	(20,420)	(17,320)
PROFIT BEFORE INCOME TAX EXPENSE		54,488	45,021
Income tax expense	7	(16,334)	(14,191)
PROFIT AFTER INCOME TAX EXPENSE FOR THE YEAR		38,154	30,830
PROFIT FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest		38	51
Owners of Helloworld Travel Limited		38,116	30,779
		38,154	30,830
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of cash flow hedges	24	(759)	1,259
Income tax benefit/(expense) on cash flow hedges	24	214	(370)
Exchange differences on translation of foreign operations	24	1,888	(1,185)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		1,343	(296)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		39,497	30,534
TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest		38	51
Owners of Helloworld Travel Limited		39,459	30,483
		39,497	30,534
		Cents	Restated Cents
Basic earnings per share	9	31.5	26.1
Diluted earnings per share	9	30.9	25.9

Comparatives have been restated for changes in accounting standards. For details regarding the restatement refer to note 2.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		CONSOLIDATED	
		2019	2018
	Note	\$'000	Restated \$'000
CURRENT ASSETS			
Cash and cash equivalents	10	204,755	203,528
Trade and other receivables	11	97,605	81,273
Accrued revenue	12	66,681	48,361
Inventories		471	524
Derivative financial instruments	28	368	1,471
TOTAL CURRENT ASSETS		369,880	335,157
NON-CURRENT ASSETS			
Trade and other receivables	11	5,939	2,489
Investments accounted for using the equity method	13	17,109	17,546
Investment properties		-	175
Property, plant and equipment	14	18,267	14,143
Intangible assets	15	338,344	327,225
Deferred tax assets	16	768	1,957
TOTAL NON-CURRENT ASSETS		380,427	363,535
TOTAL ASSETS		750,307	698,692
CURRENT LIABILITIES			
Trade and other payables	17	210,983	196,158
Provisions	19	15,451	14,251
Deferred revenue	20	96,939	97,760
Income tax payable		478	8,124
Other current liabilities	22	483	807
TOTAL CURRENT LIABILITIES		324,334	317,100
NON-CURRENT LIABILITIES			
Borrowings	18	56,428	41,465
Deferred tax liabilities	21	45,206	37,128
Provisions	19	3,352	3,154
Other non-current liabilities	22	7,970	8,514
TOTAL NON-CURRENT LIABILITIES		112,956	90,261
TOTAL LIABILITIES		437,290	407,361
NET ASSETS		313,017	291,331
EQUITY			
Issued capital	23	416,219	408,495
Reserves	24	721	1,716
Accumulated losses	25	(105,411)	(120,338)
EQUITY ATTRIBUTABLE TO THE OWNERS OF HELLOWORLD TRAVEL LIMITED		311,529	289,873
Non-controlling interest		1,488	1,458
TOTAL EQUITY		313,017	291,331

Comparatives have been restated for changes in accounting standards. For details regarding the restatement refer to note 2.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

CONSOLIDATED	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
BALANCE AT 1 JULY 2017	395,081	7,150	(123,717)	1,390	279,904
Change in accounting policy (note 2)	-	-	(9,730)	-	(9,730)
RESTATED BALANCE AT 1 JULY 2017	395,081	7,150	(133,447)	1,390	270,174
Profit after income tax expense (restated)	-	-	30,779	51	30,830
Other comprehensive loss (restated)	-	(296)	-	-	(296)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	-	(296)	30,779	51	30,534
<i>Transactions with owners in their capacity as owners net of tax:</i>					
LTIP expensed	-	616	-	-	616
Franchise loyalty plan expensed	-	1,446	-	-	1,446
Issue of new shares, net of transaction costs	12,647	-	-	-	12,647
Sale of forfeited shares, net of transaction costs	767	-	-	-	767
Dividends	-	-	(18,168)	-	(18,168)
Dividends associated with LTIP	-	-	498	-	498
Option for additional interest in subsidiary	-	(7,200)	-	-	(7,200)
<i>Transactions with non-controlling interest:</i>					
Acquisition through business combinations	-	-	-	17	17
BALANCE AT 30 JUNE 2018	408,495	1,716	(120,338)	1,458	291,331

CONSOLIDATED	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interests \$'000	Total equity \$'000
BALANCE AT 1 JULY 2018	408,495	1,716	(120,338)	1,458	291,331
Profit after income tax expense	-	-	38,116	38	38,154
Other comprehensive income	-	1,343	-	-	1,343
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	1,343	38,116	38	39,497
<i>Transactions with owners in their capacity as owners net of tax:</i>					
LTIP expensed	-	897	-	-	897
Franchise loyalty plan expensed	-	582	-	-	582
Sale of forfeited shares, net of transaction costs	3,907	-	-	-	3,907
Transfer of reserve for vested shares to share capital	3,817	(3,817)	-	-	-
Dividends	-	-	(23,657)	-	(23,657)
Dividends associated with LTIP	-	-	468	-	468
<i>Transactions with non-controlling interest:</i>					
Acquisition through business combinations	-	-	-	(8)	(8)
BALANCE AT 30 JUNE 2019	416,219	721	(105,411)	1,488	313,017

Comparatives have been restated for changes in accounting standards. For details regarding the restatement refer to note 2.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

		CONSOLIDATED	
	Note	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		3,387,635	3,147,250
Payments to suppliers and employees (inclusive of GST)		(3,330,740)	(3,098,900)
Interest received		3,442	3,109
Finance costs paid		(2,244)	(1,716)
Income taxes paid		(17,633)	(7,763)
NET CASH FROM OPERATING ACTIVITIES	27	40,460	41,980
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangibles	15	(19,334)	(12,430)
Payments for property, plant and equipment	14	(8,266)	(5,278)
Payments for investments in associates	13	-	(1,303)
Payments for acquisition of businesses, net of cash acquired	34	(6,063)	(697)
Payments for acquisition of controlled entities, net of cash acquired	34	-	(18,579)
Net cash acquired from acquisition of controlled entities	34	614	-
Proceeds from adjustment for acquired controlled entities	34	210	-
Proceeds from disposal of associates	13	-	1,219
Proceeds from disposal of controlled entities, net of cash disposed	35	457	-
Proceeds from disposal of property, plant and equipment		28	83
Proceeds from disposal of investment property	4	195	-
Dividends from associates	13	1,876	1,289
NET CASH USED IN INVESTING ACTIVITIES		(30,283)	(35,696)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	27	15,000	21,563
Dividends paid to company shareholders	8	(23,189)	(17,784)
Loans provided to related parties for equity accounted investments	30	(2,450)	(2,900)
Loans repaid from related parties for equity accounted investments	30	263	586
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		(10,376)	1,465
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(199)	7,749
Cash and cash equivalents at the beginning of the financial year		203,528	198,070
Effects of exchange rate changes on cash and cash equivalents		1,426	(2,291)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	10	204,755	203,528

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

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

(a) Reporting entity

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

The financial statements of Helloworld Travel Limited and its controlled entities (the Group), for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 21 August 2019.

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

(b) Presentation and measurement

(i) Statement of compliance

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

(ii) Basis of accounting

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

(iii) Functional and presentation currency

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

(iv) Rounding of amounts

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

(v) Consistent application of accounting policies

Details of the Group's principle accounting policies which have been applied in the preparation of the financial statements are included in note 38: significant accounting policies. The accounting policies adopted are consistent with the previous financial year, except for the adoption of new and amended standards as set out in note 2: changes in accounting standards.

(vi) Comparative periods

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

(c) Use of critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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

The Group determines whether goodwill and intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units (CGUs), to which the goodwill and intangible assets with indefinite useful lives are allocated.

The key assumptions used in this estimation of recoverable amount of goodwill and intangible assets with indefinite useful lives are outlined in note 15: intangible assets.

(ii) Business acquisitions

The Group undertakes business acquisitions, which require key judgements in the identification, recognition and measurement of intangible assets recognised on acquisition. For certain acquisitions, the Group is required to assess and value any contingent consideration payable including the valuation of potential future purchases of non-controlling interests for existing put options. Refer to note 28: financial risk management for details regarding the techniques and inputs used in the valuation of contingent consideration and the redemption liability.

In accordance with applicable accounting standards, Helloworld Travel has twelve months from the date of acquisition to finalise the acquisition accounting relating to additional information obtained after the acquisition about circumstances that existed at the acquisition date, including any purchase price allocation and income tax finalisation. The key judgements used for business acquisitions undertaken are outlined in note 34: business acquisitions. In addition, the accounting policies for acquisitions undertaken are outlined in note 38: significant accounting policies.

(iii) Override commission revenue

The Group enters into override commission revenue contracts with airlines and leisure partners. The override commission revenue accrual process is inherently judgemental and requires the use of accounting estimates. This is due to factors which are not completely under the control of Helloworld Travel. These factors include:

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

The accounting policy for override commission revenue is outlined in note 38: significant accounting policies.

(d) New and amended accounting standards impacting the Group

(i) New and amended accounting standards for the year ended 30 June 2019

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2018:

- AASB 9: Financial Instruments;
- AASB 15: Revenue from Contracts with Customers;
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions;
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers to Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments; and
- Interpretation 22 Foreign Currency Transitions and Advance Consideration.

The Group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 9: Financial Instruments and AASB 15: Revenue from Contracts with Customers. The changes and adjustments are disclosed in note 2: changes in accounting standards.

The adoption of the other accounting standard amendments and interpretation did not have any impact on the amounts recognised in the current period or any prior period and is not likely to affect future periods.

(ii) New accounting standard impacting the Group in future financial years

AASB 16: Leases is not yet effective, but will have a material impact on the Group in future financial years. The Group has not early adopted the new standard in preparing these consolidated financial statements. The Group's assessment of the impact of this new standard is set out below:

AASB 16: Leases (AASB 16)

AASB 16 replaces existing leases guidance, including AASB 117: Leases, IFRIC 4: Determining whether an Arrangement contains a Lease, SIC 15: Operating Leases – Incentives and SIC 27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AASB 16 introduces a single, on balance sheet lease accounting model for lessees. Under the future requirements, a lessee recognises a right of use asset for operating leases representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to operating leases will now change as the future accounting standard replaces the current straight line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. There are recognition exemptions for short term leases and leases of low value items. Lessor accounting does not change under the new standard with lessors continuing to classify leases as finance or operating leases.

The standard is effective for the Group for the financial reporting period commencing 1 July 2019. The Group has elected to adopt the full retrospective approach under AASB 16 where comparatives will be restated to align with the new accounting standard. This will result in initial application of this standard at the beginning of the comparative period on 1 July 2018. AASB 16 will primarily impact the Group's accounting for operating leases relating to commercial office premises, retail properties and motor vehicles. The Group's existing non cancellable operating leases as at 30 June 2019 are reported within note 29: commitments and contingencies.

The estimated financial impact of this change, excluding the impact of tax, at the date of transition on 1 July 2018 is an estimated increase in total assets of \$19.8 million representing the recognition of right of use assets in relation to leased premises and motor vehicles. An estimated decrease in net assets of \$0.7 million and an estimated increase in accumulated losses of \$0.7 million, reflects the estimated increase in total assets which is offset by the estimated lease liabilities of \$20.5 million recognised relating to Helloworld Travel's future obligation to make lease payments.

Helloworld Travel is currently determining the financial impact on the consolidated statement of profit and loss for the year ended 30 June 2019 and the consolidated statement of financial position as at 30 June 2019. The impact on

the reported profit before income tax expense for the year ended 30 June 2019 is not expected to be significant, however there will be significant changes to the classification of key expense categories. Currently the expenditure for operating lease payments on leased premises and motor vehicles is reported within EBITDA. Under AASB16, the expenditure relating to leased premises and motor vehicles, in most circumstances, will be reported as a depreciation charge on the right of use assets and interest expense on lease liabilities, which is excluded from the current measurement of EBITDA.

2. Changes in accounting standards

The Group has applied the following standards for the first time for the full year reporting period commencing 1 July 2018:

- AASB 15: Revenue from Contracts with Customers; and
- AASB 9: Financial Instruments.

The Group has adopted these two accounting standards under the retrospective approach, where comparatives have been restated to align with the new accounting standards. As a result, the initial date of applying the new standards is the beginning of the comparative period on 1 July 2017.

(a) AASB 15: Revenue from Contracts with Customers (AASB 15)

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

Refer note 38: significant accounting policies for the revenue accounting policies applied by the Group that includes the revised policies adopted under AASB 15.

(i) Accounting for commission relating to wholesale businesses

The Group has assessed the impact of applying the new revenue standard on the financial statements and identified that the timing of commission revenue recognition derived in the wholesale businesses required changes to align with AASB 15.

In the prior year, commissions earned from the arrangement of airline tickets, tours and travel within the wholesale businesses was recognised when tickets, itineraries or travel documents were issued (ticketing date). Under AASB 15, revenue should be recognised when the Group satisfies its performance obligation under its contracts by transferring the promised good or service to the customers.

Under AASB 15, the Group has defined the performance obligation of its wholesale businesses as the arrangement of all aspects of holiday packaged travel, including booking, ticketing and the management of amendments up to the point of departure (departure date). As a result, the revenue from these contracts is no longer recognised at the ticketing date when previously the risk and reward was deemed to have transferred per the previous revenue standard, but is now deferred to be recognised at the later point of time being the departure date under AASB 15, in line with the service performance obligations of the contracts being met to the travel agent or supplier.

The Group acts in the capacity of an agent rather than principal for the facilitation of the tour, travel and accommodation services provided to the travel agent as the customer. As a result, commission revenue is recognised as the net amount of commission received or receivable by the Group. There has been no change to the principal or agent relationship of Helloworld Travel arising from the adoption of AASB 15.

The financial impact of the accounting change for commission earned in our wholesale businesses on the comparative full year consolidated statement of profit or loss and other comprehensive income, in addition to the consolidated statement of financial position as at 1 July 2017 and 30 June 2018, is outlined in note 2(c): transitional financial statement impacts. Other than the timing change of the wholesale businesses commission revenue recognition, there were no other revenue recognition financial impacts arising from the adoption of AASB 15.

(ii) Presentation of assets and liabilities related to contracts with customers

Accrued revenue contains the estimate of override commission revenue being earned during the respective customer contract period, but not yet invoiced at balance date. Accrued revenue also includes revenue earned but not yet invoiced from the passage of time. Under AASB 15, accrued revenue relating to override commission revenue is considered a contract asset. Under AASB 15, deferred revenue is considered a contract liability and mainly relates to monies received in advance from customers prior to travel booking finalisation.

The Group has assessed the contract asset and contract liability presentation and disclosure requirements of AASB 15. As a result, presentation reclassifications have been performed on the consolidated statement of financial position for the separation of accrued revenue due to its size and prominence, and a reclassification of some trade debtors, trade creditors and deferred revenue. The presentation reclassifications are outlined in note 2(c): transitional financial statement impacts.

(iii) Comparative changes

In the prior year financial statements, Helloworld Travel reported that the impact of the adoption of AASB 15 will be an expected decrease to both net assets and accumulated losses, excluding tax, of \$11.3 million on 1 July 2017 and \$12.2 million on 30 June 2018. In addition, Helloworld Travel reported an expected decrease of net profit before income tax expense for the year ended 30 June 2018 of \$0.9 million.

During the current year, Helloworld Travel has updated and finalised the impact of AASB 15 on the comparative financial years and reported a decrease to both net assets and accumulated losses, excluding tax, of \$14.2 million on 1 July 2017 and \$15.4 million on 30 June 2018. There was no significant change to the comparative statement of profit and loss, with the restated decrease in net profit before income tax expense for the year ended 30 June 2018 finalised at \$1.2 million.

The change has arisen from the finalisation of the accounting for commission relating to the wholesale business and the review of other contractual agreements relating to the timing of performance obligations being met in accordance with AASB 15.

(b) AASB 9: Financial Instruments (AASB 9)

AASB 9 replaces the provisions of AASB 139: Financial Instruments: Recognition and Measurement, which relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Refer note 38: significant accounting policies for the financial instrument policies applied by the Group that includes the revised policies adopted under AASB 9.

(i) Classification and measurement

The Group has completed its review of the recognition, classification and measurement requirements impacting financial assets and financial liabilities and updated its accounting policies for these changes. Helloworld Travel has determined that no financial impacts relating to the classification and measurement of financial instruments have arisen from the adoption of AASB 9.

(ii) Impairment of financial assets

Under AASB 9, the impairment model requires the recognition of impairment provisions based on the expected credit losses for financial assets (including accrued revenue), rather than incurred credit losses under the previous accounting standard. The Group has completed its review of impairment provisions on financial assets and updated its accounting policies for the changes, concluding that there are no significant changes to our financial results from the revised methodology based on the nature of the Group's financial assets portfolio and pre-existing level of impairment recorded as a provision. As a result, no financial impact on impairment of financial assets has arisen from adoption of AASB 9.

(iii) Derivatives and hedging activities

AASB 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. The Group has completed its review of cash flow hedges held and updated its accounting policies for the changes. As part of this review, the Group has updated its hedge documentation to align with the new requirements that are applied prospectively from 1 July 2018. As a result, no financial impact on hedge accounting has arisen from the adoption of AASB 9.

(c) Transitional financial statement impacts

As a result of the changes in Helloworld Travel's accounting policies, the opening consolidated statement of financial position as at 1 July 2017 has been restated, as well as the comparative period of the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income as outlined in the following:

(i) Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018 (extract)

	30 Jun 2018 Reported \$'000	AASB 15 Adjustment \$'000	30 Jun 2018 Restated \$'000
REVENUE	326,874	(1,186)	325,688
Operating expenses	(263,306)	-	(263,306)
Profit on disposal of investments	139	-	139
Share of profit of associates accounted for using the equity method	1,509	-	1,509
EARNINGS BEFORE INTEREST EXPENSE, TAX, DEPRECIATION AND AMORTISATION (EBITDA)	65,216	(1,186)	64,030
Finance expense	(1,689)	-	(1,689)
Depreciation and amortisation expense	(17,320)	-	(17,320)
PROFIT BEFORE INCOME TAX EXPENSE	46,207	(1,186)	45,021
Income tax expense	(14,238)	47	(14,191)
PROFIT AFTER INCOME TAX EXPENSE FOR THE YEAR	31,969	(1,139)	30,830
PROFIT FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest	51	-	51
Owners of Helloworld Travel Limited	31,918	(1,139)	30,779
	31,969	(1,139)	30,830
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of cash flow hedges	1,259	-	1,259
Income tax expense on cash flow hedges	(370)	-	(370)
Exchange differences on translation of foreign operations	(1,175)	(10)	(1,185)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(286)	(10)	(296)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	31,683	(1,149)	30,534
TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest	51	-	51
Owners of Helloworld Travel Limited	31,632	(1,149)	30,483
	31,683	(1,149)	30,534

	30 Jun 2018 Reported Cents	AASB 15 Adjustment Cents	30 Jun 2018 Restated Cents
Basic earnings per share	27.1	(1.0)	26.1
Diluted earnings per share	26.9	(1.0)	25.9

(ii) Consolidated statement of financial position as at 1 July 2017

	30 Jun 2017 Reported \$'000	AASB 15 Reclass \$'000	AASB 15 Adjustment \$'000	1 Jul 2017 Restated \$'000
CURRENT ASSETS				
Cash and cash equivalents	198,070	-	-	198,070
Trade and other receivables	125,227	(41,946)	-	83,281
Accrued revenue	-	41,946	-	41,946
Inventories	529	-	-	529
Derivative financial instruments	-	-	-	-
TOTAL CURRENT ASSETS	323,826	-	-	323,826
NON-CURRENT ASSETS				
Trade and other receivables	268	-	-	268
Investments accounted for using the equity method	16,657	-	-	16,657
Investment properties	175	-	-	175
Property, plant and equipment	13,827	-	-	13,827
Intangible assets	283,302	-	-	283,302
Deferred tax assets	888	-	1,727	2,615
TOTAL NON-CURRENT ASSETS	315,117	-	1,727	316,844
TOTAL ASSETS	698,268	-	1,727	640,670
CURRENT LIABILITIES				
Trade and other payables	199,911	(3,536)	-	196,375
Borrowings	104	-	-	104
Provisions	14,067	-	-	14,067
Deferred revenue	75,736	3,536	14,248	93,520
Derivative financial instruments	799	-	-	799
Income tax payable	5,905	-	-	5,905
Other current liabilities	809	-	-	809
TOTAL CURRENT LIABILITIES	297,331	-	14,248	311,579
NON-CURRENT LIABILITIES				
Borrowings	20,253	-	-	20,253
Deferred tax liabilities	35,191	-	(2,791)	32,400
Provisions	4,085	-	-	4,085
Other non-current liabilities	2,179	-	-	2,179
TOTAL NON-CURRENT LIABILITIES	61,708	-	(2,791)	58,917
TOTAL LIABILITIES	359,039	-	11,457	370,496
NET ASSETS	279,904	-	(9,730)	270,174
EQUITY				
Issued capital	395,081	-	-	395,081
Reserves	7,150	-	-	7,150
Accumulated losses	(123,717)	-	(9,730)	(133,447)
EQUITY ATTRIBUTABLE TO THE OWNERS OF HELLOWORLD TRAVEL LIMITED	278,514	-	(9,730)	268,784
Non-controlling interest	1,390	-	-	1,390
TOTAL EQUITY	279,904	-	(9,730)	270,174

(iii) Consolidated statement of financial position as at 30 June 2018

	30 Jun 2018 Reported \$'000	AASB 15 Reclass \$'000	AASB 15 Adjustment \$'000	30 Jun 2018 Restated \$'000
CURRENT ASSETS				
Cash and cash equivalents	203,528	-	-	203,528
Trade and other receivables	130,615	(49,342)	-	81,273
Accrued revenue	-	48,361	-	48,361
Inventories	524	-	-	524
Derivative financial instruments	1,471	-	-	1,471
TOTAL CURRENT ASSETS	336,138	(981)	-	335,157
NON-CURRENT ASSETS				
Trade and other receivables	2,489	-	-	2,489
Investments accounted for using the equity method	17,546	-	-	17,546
Investment properties	175	-	-	175
Property, plant and equipment	14,143	-	-	14,143
Intangible assets	327,225	-	-	327,225
Deferred tax assets	552	-	1,405	1,957
TOTAL NON-CURRENT ASSETS	362,130	-	1,405	363,535
TOTAL ASSETS	638,943	(981)	1,405	698,692
CURRENT LIABILITIES				
Trade and other payables	199,842	(3,684)	-	196,158
Borrowings	-	-	-	-
Provisions	14,251	-	-	14,251
Deferred revenue	79,612	2,703	15,445	97,760
Derivative financial instruments	-	-	-	-
Income tax payable	8,124	-	-	8,124
Other current liabilities	807	-	-	807
TOTAL CURRENT LIABILITIES	302,636	(981)	15,445	317,100
NON-CURRENT LIABILITIES				
Borrowings	41,465	-	-	41,465
Deferred tax liabilities	40,289	-	(3,161)	37,128
Provisions	3,154	-	-	3,154
Other non-current liabilities	8,514	-	-	8,514
TOTAL NON-CURRENT LIABILITIES	93,422	-	(3,161)	90,261
TOTAL LIABILITIES	396,058	(981)	12,284	407,361
NET ASSETS	302,210	-	(10,879)	291,331
EQUITY				
Issued capital	408,495	-	-	408,495
Reserves	1,726	-	(10)	1,716
Accumulated losses	(109,469)	-	(10,869)	(120,338)
EQUITY ATTRIBUTABLE TO THE OWNERS OF HELLOWORLD TRAVEL LIMITED	300,752	-	(10,879)	289,873
Non-controlling interest	1,458	-	-	1,458
TOTAL EQUITY	302,210	-	(10,879)	291,331

3. Revenue

The disaggregation of revenue by key types is provided as follows:

	CONSOLIDATED	
	2019	2018
	\$'000	Restated \$'000
Commissions	257,765	236,015
Transaction and services fees	43,581	43,873
Marketing related activities	32,754	28,904
Other revenue from contracts with customers	17,877	11,937
REVENUE FROM CONTRACTS WITH CUSTOMERS	351,977	320,729
Rents and sublease rentals	558	582
Finance income	3,442	3,109
Sundry income	1,585	1,268
OTHER REVENUE	5,585	4,959
REVENUE	357,562	325,688

4. Expenses and significant items

	CONSOLIDATED	
	2019	2018
	\$'000	\$'000
PROFIT BEFORE INCOME TAX EXPENSE INCLUDES THE FOLLOWING SPECIFIC EXPENSES AND SIGNIFICANT ITEMS:		
Depreciation (note 14)	(5,250)	(4,744)
Amortisation (note 15)	(15,170)	(12,576)
Defined contribution superannuation expense	(9,412)	(8,511)
LTIP expense (note 36)	(897)	(616)
Employee benefits expense excluding superannuation and LTIP	(129,081)	(121,254)
Rental expense under operating leases (note 29)	(10,194)	(9,564)
Impairment losses on receivables and accrued revenue (note 28)	(461)	(339)
Franchise loyalty plan expense (note 36)	(582)	(1,446)
Business acquisition related expenses	(241)	(1,009)
Profit on disposal of Insider Journeys business (note 35)	1,993	-
Profit on disposal of investments (i)	20	139
Fair value adjustment on redemption liability (ii)	2,400	-

(i) On 27 September 2018, Helloworld Travel disposed of its single investment property in Australia with a carrying value of \$175,000. The sale proceeds amounted to \$195,000, resulting in a profit on sale of \$20,000. The Group does not hold any further investment properties. In the prior year, Helloworld Travel disposed of its 33.0% share in Down Under Answers LLC for a profit of \$0.1 million, refer note 13: investments accounted for using the equity method for further details.

(ii) The redemption liability is a valuation of the put option liability to acquire the non controlling 40.0% ownership interest in Asia Escape Holidays on 1 July 2022. The put option is a financial liability recorded at fair value through profit or loss in accordance with applicable accounting standards. As at 30 June 2019, the redemption liability has been remeasured to its fair value of \$4.8 million and the resulting fair value change of \$2.4 million has been recognised within operating expenses in the consolidated statement of profit and loss. Refer note 28: financial risk management for further details.

5. Finance income and expense

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
RECOGNISED IN PROFIT OR LOSS		
Finance income recognised in revenue	3,442	3,109
Finance expense	(2,421)	(1,689)
NET FINANCE INCOME RECOGNISED IN PROFIT BEFORE INCOME TAX EXPENSE	1,021	1,420

6. Operating segments

(a) Description of segments

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

The Group has the following three segments:

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

Australia and New Zealand segments each have retail distribution operations, air ticketing, wholesale & inbound, and travel management businesses. Australia and New Zealand also contain corporate support units performing shared service functions, which are fully allocated to all segments within segment expenses. The Rest of World segment consists of the wholesale businesses of Insider Journeys, Qantas Vacations in North America and an inbound travel business in Fiji, in addition it includes Tourist Transport Fiji (TTF) that provides vehicle transport services in Fiji.

(b) Segment information provided to the CODMs

The CODMs assess the performance of the operating segments based on a measure of EBITDA. Interest income on client funds is included within segment revenue and EBITDA.

Segment results for the Group are shown below:

CONSOLIDATED	Australia \$'000	New Zealand \$'000	Rest of World \$'000	Total \$'000
YEAR ENDED 30 JUNE 2019				
Commissions	201,843	45,095	10,827	257,765
Transaction and services fees	37,977	5,202	402	43,581
Marketing related activities	24,811	7,427	516	32,754
Other revenue from contracts with customers	13,581	599	3,697	17,877
REVENUE FROM CONTRACTS WITH CUSTOMERS	278,212	58,323	15,442	351,977
Other revenue	4,565	858	162	5,585
SEGMENT REVENUE	282,777	59,181	15,604	357,562
Segment expenses	(219,263)	(47,576)	(16,844)	(283,683)
Profit on disposal of investments	20	-	1,993	2,013
Equity accounted profits	1,437	-	-	1,437
EBITDA	64,971	11,605	753	77,329

CONSOLIDATED	Australia \$'000	New Zealand \$'000	Rest of World \$'000	Total \$'000
YEAR ENDED 30 JUNE 2018 RESTATED				
Commissions	179,287	43,839	12,889	236,015
Transaction and services fees	37,503	5,857	513	43,873
Marketing related activities	21,002	6,762	1,140	28,904
Other revenue from contracts with customers	7,489	501	3,947	11,937
REVENUE FROM CONTRACTS WITH CUSTOMERS	245,281	56,959	18,489	320,729
Other revenue	4,451	210	298	4,959
SEGMENT REVENUE	249,732	57,169	18,787	325,688
Segment expenses	(194,449)	(50,265)	(18,592)	(263,306)
Profit on disposal of investments	139	-	-	139
Equity accounted profits	1,509	-	-	1,509
EBITDA	56,931	6,904	195	64,030

(c) Other segment information

(i) EBITDA

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

	CONSOLIDATED	
	2019	2018
	\$'000	Restated \$'000
EBITDA	77,329	64,030
Finance expense	(2,421)	(1,689)
Depreciation	(5,250)	(4,744)
Amortisation	(15,170)	(12,576)
PROFIT BEFORE INCOME TAX EXPENSE	54,488	45,021

(ii) Segment assets

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

Total non-current assets, other than deferred tax assets, located in Australia total \$354.4 million (2018: \$342.9 million). Total non-current assets located in other countries total \$25.3 million (2018: \$18.7 million). Under the current management reporting framework, total assets are not reviewed to a specific reporting segment or geographic location.

(iii) Segment liabilities

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

7. Income tax expense

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

(a) Income tax expense

	CONSOLIDATED	
	2019	2018
	Restated	
	\$'000	\$'000
Current income tax expense	9,953	11,057
Deferred income tax expense	5,781	3,027
Adjustment in respect of current tax expense of previous year	600	107
INCOME TAX EXPENSE	16,334	14,191

Deferred income tax expense relates to the origination and reversal of temporary differences and comprises:

(Increase)/decrease in deferred tax assets (note 16)	(1,058)	434
Increase in deferred tax liabilities (note 21)	6,839	2,593
DEFERRED INCOME TAX EXPENSE	5,781	3,027

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

	CONSOLIDATED	
	2019	2018
	Restated	
	\$'000	\$'000
PROFIT BEFORE INCOME TAX EXPENSE	54,488	45,021
Tax at the statutory tax rate of 30%	16,346	13,506
Add/(deduct) tax effect of:		
Gain on disposal of non-current assets	(604)	(42)
Non-deductible amortisation	415	-
Share based payment expense	444	618
Non-assessable income	(840)	-
Non-deductible other expenses	190	256
Tax losses	452	-
Differences in overseas tax rates	(240)	180
Tax offset for franked dividends from equity accounted investments	(429)	(434)
Under provision in prior year	600	107
INCOME TAX EXPENSE	16,334	14,191

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

	CONSOLIDATED	
	2019	2018
	Restated	
	\$'000	\$'000
Cash flow hedges	(214)	370
TOTAL TAX (BENEFIT)/EXPENSE RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME	(214)	370

(d) Tax losses not recognised

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Unused tax losses for which no deferred tax asset has been recognised	171	2,734
Potential tax benefit at statutory tax rates	51	820

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

(e) Unrecognised temporary differences

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

8. Dividends paid and proposed

(a) Dividends

The amount of dividends paid during the year are:

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Final dividend for year ended 30 June 2018 of 11.0 cents per share (2018: 8.0 cents per share), distributed on 18 September 2018 (2018: 20 September 2017)	13,696	9,684
Final dividends associated with LTIP	(271)	(209)
Interim dividend for year ended 30 June 2019 of 8.0 cents per share (2018: 7.0 cents per share), distributed on 15 March 2019 (2018: 9 March 2018)	9,961	8,484
Interim dividends associated with LTIP	(197)	(175)
DIVIDENDS PAID PER STATEMENT OF CASH FLOWS	23,189	17,784

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

On 21 August 2019, the Group declared a 12.5 cents per share fully franked final dividend. The dividend is to be paid on 17 September 2019, with a record date of 2 September 2019. The final dividend is expected to amount to \$15.6 million (2018: \$13.7 million) based on the closing number of issued shares as at 30 June 2019 of 124,658,076 (2018: 124,508,076). The dividend will be paid out of the 2019 financial year profits, but is not recognised as a liability as at 30 June 2019.

(b) Franking credits

The franked portions of any future dividends paid after 30 June 2019 will be paid out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2020. Franking credits are all based on a tax rate of 30%. The amount of franking credits available for the subsequent financial years are:

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Franking credits available at the reporting date	33,157	26,797
Franking credits that will arise from income tax (receivable)/payable as at year end	(1,014)	7,654
Franking debits that will arise from the payment of the final dividend	(6,678)	(5,870)
TOTAL AMOUNT OF FRANKING CREDITS AVAILABLE FOR THE SUBSEQUENT FINANCIAL YEARS	25,465	28,581

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

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

9. Earnings per share

(a) Basic and diluted earnings per share (EPS)

	CONSOLIDATED	
	2019	2018
	Cents	Restated Cents
Basic EPS attributable to the ordinary equity holders of the Company	31.5	26.1
Diluted EPS attributable to the ordinary equity holders of the Company	30.9	25.9

(b) Reconciliation of earnings used in calculating EPS

	CONSOLIDATED	
	2019	2018
	\$'000	Restated \$'000
Profit after income tax expense	38,154	30,830
Adjusted for profit attributable to the non-controlling interest	(38)	(51)
NET PROFIT FOR THE YEAR USED IN CALCULATING EPS	38,116	30,779

(c) Weighted average number of shares (WANOS)

	CONSOLIDATED	
	2019	2018
	Number of Shares	Number of Shares
WANOS USED IN CALCULATING BASIC EPS	120,884,688	117,927,415
Adjustment for shares issued under franchise loyalty plan	258,456	683,865
Adjustment for shares issued under LTIP	2,200,000	-
WANOS USED IN CALCULATING DILUTED EPS	123,343,144	118,611,280

Shares issued under the franchise loyalty plan and the LTIP prior to vesting conditions being met are excluded from basic EPS due to the terms and conditions attached to these shares.

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

The LTIP shares prior to vesting date are included in diluted EPS, when the forward market vesting conditions attached to these shares have been met. For the year ended 30 June 2019, this includes the 2,200,000 shares in relation to the LTIP share allocation granted on 1 July 2016, which vested on 1 July 2019.

The LTIP shares are excluded from diluted EPS until the forward market vesting conditions attached to the shares have been met. For the year ended 30 June 2019, Helloworld Travel has a weighted average number of potential ordinary shares relating to the LTIP of 1,204,384 (2018: 3,415,068), which have been excluded from diluted EPS.

Refer note 36: share based payments for further details on the nature of shares issued under the franchise loyalty plan and the LTIP.

(d) Information concerning the classification of securities

As at 30 June 2019, the Company had 124,658,076 (2018: 124,508,076) ordinary shares on issue. Refer note 23: issued capital for further details on the movement of ordinary shares during the current year.

10. Cash and cash equivalents

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Cash at bank and on hand	74,713	81,205
Restricted cash at bank	130,042	122,323
CASH AND CASH EQUIVALENTS	204,755	203,528

Restricted cash relates to cash held within legal entities of the Group that have local International Air Transport Association requirements as part of providing ticketing travel arrangements. Restricted cash includes monies paid to the Group by customers prior to being paid to product and service suppliers.

11. Trade and other receivables

	CONSOLIDATED	
	2019 \$'000	2018 Restated \$'000
Trade receivables	76,715	64,629
Loss allowance	(724)	(589)
TRADE RECEIVABLES NET OF LOSS ALLOWANCE	75,991	64,040
Prepayments	14,137	12,351
Other receivables	7,477	4,882
CURRENT TRADE AND OTHER RECEIVABLES	21,614	17,233
Loans to related parties (note 30)	4,501	2,314
Contingent consideration receivable	1,233	-
Other receivables	205	175
NON-CURRENT TRADE AND OTHER RECEIVABLES	5,939	2,489

Trade receivables are non-interest bearing and are generally on 7 to 30 day payment terms from the date of invoice.

Fair value and credit risk

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

The contingent consideration receivable relates to deferred amounts owed to Helloworld Travel from the sale of the Insider Journeys business on 30 June 2019, which is contingent on the future trading performance of Insider Journeys. The contingent consideration receivable is a financial asset measured at fair value through profit or loss, refer note 28: financial risk management for more information.

Credit, foreign exchange and interest rate risk

Details regarding credit, foreign exchange and interest rate risk exposure are disclosed in note 28: financial risk management.

12. Accrued Revenue

	CONSOLIDATED	
	2019	2018
	\$'000	Restated \$'000
Accrued override commission	54,685	36,657
Other accrued revenue	11,996	11,704
ACCRUED REVENUE	66,681	48,361

Accrued revenue relates to amounts owed to the Group at balance sheet date that have not yet been invoiced to the customer or received as cash from the customer. The Group's accrued revenue consists of:

- Accrued override commission, which relates to the estimate of override commission earned during the respective customer contract period, but not yet invoiced at balance date; and
- Other accrued revenue, which relates to other revenue earned, but not yet invoiced from the passage of time.

Accrued override commission is considered a contract asset in accordance with applicable accounting standards. The Group generates override commission from its contracts with airlines and leisure partners and the revenue accrual process is inherently judgemental, refer note 1(c): use of critical accounting estimates and judgements for further details.

Accrued override commission is transferred to trade receivables, when the contract period with the airline or leisure partner is completed and the final amount of the override commission has been calculated and invoiced in accordance with the contract. Once invoiced, it is settled generally on 30 day terms from the invoice date under normal commercial terms and conditions.

The contract periods with airline and leisure partners for override commission varies from one month to twelve months. As a result, the accrued revenue recorded on the consolidated statement of financial position as at 30 June is invoiced and settled in the following financial year. The estimated accrued override commission is subsequently adjusted for any differences between Helloworld Travel's initial estimate and finalisation with the respective contractual partner. These prior year true ups mainly result from a change in the achievement of performance tiers which were estimated while the contracts were in progress. Commission revenue adjustments in the current year of \$2.3 million (2018: \$6.3 million) relate to prior year revenue true ups from the finalisation of commission revenue that was estimated at the end of the financial year.

As at 30 June 2019, the balance of accrued override commission has increased by \$18.0 million to \$54.7 million reflecting growth in total transaction value supported by the addition of new agencies to the retail network, the addition of new suppliers with override commission contracts, improved contracting outcomes and the timing of invoicing after contract completion.

13. Investments accounted for using the equity method

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Investment in associates and joint ventures	17,109	17,600
Provision for diminution in value	-	(54)
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	17,109	17,546

(a) Interests in associates and joint ventures

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

NAME	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2019 %	2018 %
Mobile Travel Holdings Pty Limited and its subsidiaries (c)	Australia	50.0	50.0
Hunter Travel Group Pty Ltd (d)	Australia	12.0	12.0
HTG Australia Pty Ltd (d)	Australia	25.0	25.0
Cooney Investments Pty Ltd (d)	Australia	20.0	20.0
Inspire Travel Management Pty Ltd (d)	Australia	40.0	40.0

(b) Movement in carrying amounts

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
OPENING BALANCE	17,546	16,657
Additions (i)	-	2,205
Disposals (ii)	-	(1,527)
Share of profit after income tax expense	1,437	1,509
Dividends received	(1,876)	(1,289)
Other movements	2	(9)
CLOSING BALANCE	17,109	17,546

(i) In the prior year, Helloworld Travel acquired several equity accounted investments for a total of \$2.2 million, which included cash consideration of \$1.3 million. Refer note 13(d) for further details.

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

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

MTA's mobile travel consultants provide home based travel consulting services throughout Australia. The investment continues to provide Helloworld Travel with a significant footprint in a sector that is experiencing strong growth both in Australia and globally.

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

Reconciliation of movement of investment in MTA:

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
OPENING CARRYING AMOUNT	15,310	15,076
Share of profit after income tax expense	1,318	1,434
Dividends received	(1,750)	(1,200)
CLOSING CARRYING AMOUNT	14,878	15,310

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

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
50% share in net assets of MTA	982	1,414
Indefinite life intangible assets acquired on acquisition	13,896	13,896
CLOSING CARRYING AMOUNT	14,878	15,310

(ii) Summarised MTA financial information

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

Summarised statement of financial position

	MTA	
	2019 \$'000	2018 \$'000
Total current assets	15,883	14,627
Total non-current assets	837	825
TOTAL ASSETS	16,720	15,452
Total current liabilities	14,613	12,609
Total non-current liabilities	144	15
TOTAL LIABILITIES	14,757	12,624
NET ASSETS	1,963	2,828

Summarised statement of profit or loss and other comprehensive income

	MTA	
	2019 \$'000	2018 \$'000
Revenue	10,417	10,596
Operating expenses	(6,320)	(6,187)
EBITDA	4,097	4,409
Depreciation and amortisation	(333)	(312)
PROFIT BEFORE INCOME TAX	3,764	4,097
Income tax expense	(1,129)	(1,229)
PROFIT AFTER INCOME TAX	2,635	2,868
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	2,635	2,868

(d) Prior year additions to equity accounted investments

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

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

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

(ii) Acquisition in Cooney Investments Pty Ltd

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

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

(iii) Joint venture with Inspire Travel Management Pty Ltd

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

Inspire Travel Management Pty Ltd provides travel management services throughout Australia. This venture enables Helloworld Travel to lead best practice in the areas of indigenous employment and procurement outcomes. Helloworld Travel has significant influence over Inspire Travel Management Pty Ltd. As a result, the investment is accounted for using the equity method of accounting, after initially being recognised at cost.

(e) Contingent liabilities

There are no contingent liabilities recognised by an associate or joint venture for which the Group has a legal obligation to settle.

14. Property, plant and equipment

CONSOLIDATED	Land and buildings \$'000	Equipment including motor vehicles \$'000	Leasehold improvements \$'000	Total \$'000
BALANCE AT 1 JULY 2017	593	7,821	5,413	13,827
Additions	-	4,331	947	5,278
Additions through business combinations (note 34)	-	129	89	218
Disposals	(33)	(31)	(21)	(85)
Disposals through business sales (note 35)	-	(351)	(100)	(451)
Foreign currency differences	92	46	(33)	105
Transfers in/(out)	-	190	(195)	(5)
Depreciation charge (note 4)	(10)	(2,852)	(1,882)	(4,744)
BALANCE AT 30 JUNE 2018	642	9,283	4,218	14,143
AT 30 JUNE 2018				
Cost	681	20,629	8,023	29,333
Accumulated depreciation	(39)	(11,346)	(3,805)	(15,190)
NET BOOK AMOUNT	642	9,283	4,218	14,143
BALANCE AT 1 JULY 2018	642	9,283	4,218	14,143
Additions	21	4,815	3,430	8,266
Additions through business combinations (note 34)	-	893	-	893
Disposals	-	(2)	(19)	(21)
Foreign currency differences	22	150	64	236
Depreciation charge (note 4)	(10)	(3,561)	(1,679)	(5,250)
BALANCE AT 30 JUNE 2019	675	11,578	6,014	18,267
AT 30 JUNE 2019				
Cost	731	25,153	11,148	37,032
Accumulated depreciation	(56)	(13,575)	(5,134)	(18,765)
NET BOOK AMOUNT	675	11,578	6,014	18,267

15. Intangible assets

CONSOLIDATED	Goodwill \$'000	Retail distribution systems \$'000	Agent network \$'000	Commercial agreements \$'000	Brand names and trademarks \$'000	Technology assets \$'000	Total \$'000
BALANCE AT 1 JULY 2017	144,864	97,400	8,310	2,089	1,856	28,783	283,302
Additions	-	-	-	-	40	6,107	6,147
Additions through internally generated projects	-	-	-	-	-	6,283	6,283
Additions through business combinations (note 34)	34,052	7,000	-	-	-	3,873	44,925
Foreign currency differences	(861)	-	-	-	-	-	(861)
Transfers in	-	-	-	-	-	5	5
Amortisation charge (note 4)	-	-	-	(385)	(488)	(11,703)	(12,576)
BALANCE AT 30 JUNE 2018	178,055	104,400	8,310	1,704	1,408	33,348	327,225
AT 30 JUNE 2018							
Cost	501,475	104,400	8,310	2,634	9,143	72,504	698,466
Accumulated amortisation and impairment	(323,420)	-	-	(930)	(7,735)	(39,156)	(371,241)
NET BOOK AMOUNT	178,055	104,400	8,310	1,704	1,408	33,348	327,225
BALANCE AT 1 JULY 2018	178,055	104,400	8,310	1,704	1,408	33,348	327,225
Additions	-	-	-	4,996	-	6,011	11,007
Additions through internally generated projects	-	-	-	-	-	8,327	8,327
Adjustments to business combinations							
- FY18 (note 34)	(18,527)	-	500	16,600	-	231	(1,196)
Additions through business combinations							
- FY19 (note 34)	6,546	-	-	-	-	120	6,666
Disposals	-	-	-	-	-	(12)	(12)
Foreign currency differences	1,440	-	-	28	-	29	1,497
Transfer in/(out)	90	-	-	-	-	(90)	-
Amortisation charge (note 4)	-	-	(54)	(2,121)	(243)	(12,752)	(15,170)
BALANCE AT 30 JUNE 2019	167,604	104,400	8,756	21,207	1,165	35,212	338,344
AT 30 JUNE 2019							
Cost	491,309	104,400	8,810	24,260	9,143	85,883	723,805
Accumulated amortisation and impairment	(323,705)	-	(54)	(3,053)	(7,978)	(50,671)	(385,461)
NET BOOK AMOUNT	167,604	104,400	8,756	21,207	1,165	35,212	338,344

(a) Nature of intangible assets

(i) Goodwill and retail distribution systems

Goodwill and retail distribution systems were acquired as part of business combinations and are not amortised for accounting purposes. Further details on the nature of these intangible assets and the results of the annual impairment testing is outlined in section (b) of this note.

The adjustments to goodwill through the FY18 business combinations of \$(18.5) million relates to the current year finalisation of the acquisition accounting for the prior year acquisitions, the Magellan Travel Group, Flight Systems Group and Asia Escape Holidays. These adjustments mainly relate to the recognition and measurement of separate identifiable intangible assets measured at fair value which were split out of prior year provisional goodwill.

The additions to goodwill through FY19 business combinations of \$6.5 million relates to provisional goodwill acquired from the acquisition of Show Group amounting to \$5.6 million and Williment Travel Group amounting to \$0.7 million. In addition, \$0.3 million of provisional goodwill was recognised from the acquisition of a former Australian retail franchise agency for nil consideration, that is now trading as a company owned store, which was acquired with a net asset deficiency of \$0.3 million.

In accordance with applicable accounting standards, Helloworld Travel has 12 months from the date of acquisition to finalise the acquisition accounting. Refer note 34: business acquisitions for details on the acquisitions undertaken.

(ii) Agent networks

The agent networks represent agreements with travel agents for the provision of Wholesale & Inbound travel products such as packaged tours. The agent network intangible assets have been acquired as part of business combinations.

The agent networks acquired of \$8.8 million includes \$8.3 million relating to the agent network acquired from the AOT merger in FY16. This asset is considered an indefinite life asset and not amortised for accounting purposes. Further details on the nature of this intangible asset and the results of the annual impairment testing is outlined in section (b) of this note.

During the current year, \$0.5 million relating to the Asia Escape Holidays agent network was split out of provisional goodwill and measured at fair value. The agent network of Asia Escape Holidays is a separately identifiable intangible asset that is being amortised over its useful life of 10 years.

(iii) Commercial agreements

Commercial agreements represent the value attributable to agreements entered into with retail travel agents that are part of the Helloworld Travel retail member network. In addition, this intangible asset category includes long term supplier agreements relating to revenue contracts that were acquired as part of a business combination.

During the current year, \$16.6 million of commercial agreements relating to the Magellan Travel Group acquisition was separated out of provisional goodwill and is being amortised over its useful life of 12 years. In addition, Helloworld Travel has entered into agreements for the distribution of travel products as part of the Group's distribution expansion. The New Zealand commercial agreements entered into, amounting to \$5.0 million, are being amortised over a useful life of 5 years.

(iv) Brand names and trademarks

Brand names and trademarks are intangible assets acquired as part of a past business acquisition and relates to the wholesale business brands of Qantas Holidays and Viva Holidays. These intangible assets are being amortised over their respective useful life of 7 and 20 years.

(v) Technology assets

Technology assets consist of external software, website and other technology assets that were acquired through external suppliers or via a business combination, which provide future economic benefits to the Group. In addition, technology assets also include capitalised internal labour costs incurred by the Group in the development and enhancement of the Group's technology suite.

During the current year, Helloworld Travel finalised the valuation of the technology assets acquired from the acquisition of the Flight Systems Group. The technology acquired of \$4.0 million, provisionally determined at \$3.8 million as at 30 June 2018, relates to technology developed for the Skiddoo travel booking system and related flight distribution systems that enables customers to access travel related products via the Skiddoo website and software systems.

Technology assets are amortised over a useful life of 2.5 years to 5 years, except for the booking system and related website technology acquired from the Flight Systems Group that is being amortised over 10 years.

(b) Impairment review for indefinite life intangible assets

(i) Goodwill by cash generating unit (CGU) group

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Australia retail distribution operations	34,610	49,890
Australia wholesale & inbound	95,196	97,855
Australia travel management	25,000	19,429
New Zealand	12,798	10,881
GOODWILL, NET OF IMPAIRMENT	167,604	178,055

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

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is allocated to the Group's CGUs, which are expected to benefit from the business combination.

During the current year, total goodwill decreased by \$10.5 million to \$167.6 million as at 30 June 2019. The goodwill determined from the acquisitions has been assessed and recorded within an existing CGU group based on how Helloworld Travel manages its operations and how the future benefits and synergies arising from the acquisition complement our pre existing businesses. The details of the acquisitions and the goodwill allocation to the respective CGU group is outlined in note 34: business acquisitions.

The Group tests whether goodwill has incurred any impairment on an annual basis. The recoverable amount of the Group's CGU's is determined based on the value in use calculations given the Group derives its value through use and has no intention to sell these assets. These calculations use cash flow projections based on Helloworld Travel's budget for the next financial year, internal CGU level projections covering the subsequent 4 years (the forecast period) and a steady state terminal value calculation at the end of year 5.

The impairment testing undertaken for the year ended 30 June 2019 supports the carrying value of goodwill for all of the CGU's under review and no impairment of goodwill was required. The key assumptions used for the value in use calculations are outlined below:

Cash flows

Operating cash flows were based on the 2020 financial year (FY20) budget. Cash flows for the forecast period are expected to grow at 5.0% (2018: 5.0%) for all CGU's. The operating cash flows comprise EBITDA from each CGU, net of expected working capital movements and sustainable levels of capital expenditure to maintain the business.

Long term growth

The terminal value calculations have an equivalent revenue and operating expense growth assumption of 2.5% (2018: 2.5%). Revenue and operating expense growth projections have been benchmarked against inflation forecasts, travel industry forecasts and other general economic projections where available.

Discount rates

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

	CONSOLIDATED	
	2019 %	2018 %
Australia retail distribution operations	13.3	14.2
Australia wholesale & inbound	13.3	14.3
Australia travel management	13.3	14.3
New Zealand	13.3	14.3

The sensitivity analysis determined there are no reasonable changes in assumptions that would cause any of the CGU's carrying value to exceed their recoverable amount as at 30 June 2019.

(ii) Retail distribution systems

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Retail distribution systems – indefinite life	104,400	104,400

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

The retail distribution systems are the integrated system of methods, procedures, techniques and other systems which facilitate the day-to-day running of the retail business. This includes access to products/inventory, brands, marketing, advertising, promotional techniques, training and operational manuals of the network. Due to the inter-dependencies between these components, the Group considers these assets to be complementary and are recognised as single identifiable assets. The Group has determined that these retail distribution systems have an indefinite useful life due to the ongoing effectiveness of the systems which support the Australia retail network and are allocated to the Australian retail distribution operations CGU.

In the prior year, a separate \$7.0 million retail distribution system intangible asset was identified through the business acquisition of the Magellan Travel Group.

The recoverable amount of the retail distribution systems has been assessed at 30 June 2019 using an excess earnings calculation methodology. The key assumptions used in the calculation are outlined below:

- Cash flows are based on the FY20 budget, with EBITDA growth rates for years 2 to 5 of 5.0% (2018: 5.0%);
- Terminal value calculations have an equivalent revenue and operating expense growth assumption of 2.5% (2018: 2.5%); and
- Pre-tax discount rate was 13.5% (2018: 14.5%).

The impairment testing undertaken for the year ended 30 June 2019 supports the carrying value of the retail distribution systems and no impairment was recognised.

The sensitivity analysis determined there are no reasonable changes in assumptions that would cause the carrying value of the retail distribution systems to exceed its recoverable amount as at 30 June 2019.

(iii) Agent network

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Agent network – indefinite life	8,310	8,310

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

The agent network represents the agreements with travel agents for the provision of wholesale & inbound domestic travel product such as packaged tours. The Group considers that the agent network has an indefinite useful life as there are no indications that these relationships will not continue to provide future benefits and is entirely allocated to the Australia wholesale & inbound CGU.

The recoverable amount of the agent network has been assessed at 30 June 2019 using an excess earnings calculation methodology. The key assumptions used in the calculation are outlined below:

- Cash flows are based on the FY20 budget, with EBITDA growth rates for years 2 to 5 of 5.0% (2018: 5.0%);
- Terminal value calculations have an equivalent revenue and operating expense growth assumption of 2.5% (2018: 2.5%); and
- Pre-tax discount rate was 13.5% (2018: 14.5%).

The impairment testing undertaken for the year ended 30 June 2019 supports the carrying value of the agent network and no impairment was recognised.

The sensitivity analysis determined there are no reasonable changes in assumptions that would cause the carrying value of the agent network to exceed its recoverable amount as at 30 June 2019.

16. Deferred tax assets

(a) Deferred tax assets

	CONSOLIDATED	
	2019	2018
	\$'000	Restated \$'000
Employee benefits	5,138	4,515
Payables and accruals	12,543	12,786
Property, plant and equipment	1,715	1,399
Tax losses	2,054	1,837
Other	1,486	4,559
GROSS DEFERRED TAX ASSETS	22,936	25,096
Set-off of deferred tax assets and liabilities pursuant to set-off provisions	(22,168)	(23,139)
NET DEFERRED TAX ASSETS	768	1,957
Amount expected to be recovered within 12 months	16,869	19,915
Amount expected to be recovered after more than 12 months	6,067	5,181
GROSS DEFERRED TAX ASSETS	22,936	25,096

(b) Movement in temporary differences during the year

CONSOLIDATED	Employee benefits \$'000	Payables and accruals \$'000	Property plant and equipment \$'000	Tax losses \$'000	Other \$'000	Total \$'000
BALANCE AT 1 JULY 2017 RESTATED	4,364	12,203	1,430	2,244	5,425	25,666
(Charged)/credited						
- to profit or loss	67	540	(31)	(407)	(603)	(434)
- to other comprehensive income	-	-	-	-	(284)	(284)
Additions through business combinations	84	43	-	-	21	148
BALANCE AT 30 JUNE 2018 RESTATED	4,515	12,786	1,399	1,837	4,559	25,096
BALANCE AT 1 JULY 2018 RESTATED	4,515	12,786	1,399	1,837	4,559	25,096
(Charged)/credited						
- to profit or loss	191	(799)	316	217	1,133	1,058
- to other comprehensive income	-	-	-	-	(4,206)	(4,206)
Additions through business combinations	432	556	-	-	-	988
BALANCE AT 30 JUNE 2019	5,138	12,543	1,715	2,054	1,486	22,936

17. Trade and other payables

	CONSOLIDATED	
	2019	2018
	\$'000	Restated \$'000
Trade payables	169,265	149,162
Accruals	30,074	28,494
Contingent consideration payable	-	2,520
Other payables	11,644	15,982
TRADE AND OTHER PAYABLES	210,983	196,158

Trade creditors are non-interest bearing and are normally settled within 7 to 30 day payment terms from the date of invoice. Non trade payables and accruals are non interest bearing.

Details regarding foreign exchange risk exposure are disclosed in note 28: financial risk management.

The contingent consideration payable relates to the prior year acquisition of Asia Escape Holidays. The conditions of the contingent consideration were not met and the payable was subsequently reversed in the current year. Refer note 28: financial risk management for further details.

18. Borrowings

	CONSOLIDATED	
	2019	2018
	\$'000	\$'000
Secured bank loans	57,000	42,066
Deferred borrowings costs	(572)	(601)
NON-CURRENT BORROWINGS	56,428	41,465

(a) Financing arrangements

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

	CONSOLIDATED	
	2019	2018
	\$'000	\$'000
Secured bank loan - multi currency	40,000	40,000
Secured multi-option revolving credit facility (i)	30,000	20,000
Secured bank loan facility - AUD currency	20,000	-
TOTAL FACILITIES	90,000	60,000
Secured bank loan - multi currency	39,500	37,066
Secured multi-option revolving credit facility (i)	29,517	15,152
Secured bank loan facility - AUD currency	-	-
USED AT THE REPORTING DATE	69,017	52,218
Secured bank loan - multi currency	500	2,934
Secured multi-option revolving credit facility (i)	483	4,848
Secured bank loan facility - AUD currency	20,000	-
UNUSED AT THE REPORTING DATE	20,983	7,782

(i) This facility includes bank guarantees and letters of credit of \$12.0 million (2018: \$11.2 million).

The Group has secured financing arrangements with the Westpac Banking Corporation of \$90.0 million (2018: \$60.0 million).

During the current year, Helloworld Travel increased its existing secured multi-option revolving credit facility by \$10.0 million, without amending any other terms or conditions of the facility agreement. The total of the long term bank loan multi currency facility and the multi option revolving credit facility, amounting to \$70.0 million (2018: \$60.0 million) has an expiry date of May 2022.

On 4 April 2019, Helloworld Travel entered into a new two year \$20.0 million bank loan AUD currency facility. This facility expires in April 2021 and is unused as at 30 June 2019.

(b) Secured liabilities and assets pledged as security

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

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Secured bank loan	57,000	42,066

The financing arrangements are secured over the assets of the entities in the Deed of Cross Guarantee (note 33) and certain New Zealand entities within the Group, which form the "obligor group" as defined under the Westpac facility agreement. The obligor group includes the group parent entity of Helloworld Travel Limited and its investment holdings in subsidiaries.

(c) Set-off of assets and liabilities

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

(d) Fair values and risk exposures

Information about the carrying amounts and fair values of interest bearing liabilities, including exposure to interest rate and foreign currency changes, is provided in note 28: financial risk management.

19. Provisions

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Employee benefits - annual leave	6,587	5,961
Employee benefits - long service leave	8,021	6,814
Lease make good	325	222
Restructuring	-	132
Onerous lease contracts	102	597
Straight line rent	250	306
Other	166	219
CURRENT PROVISIONS	15,451	14,251
Employee benefits - long service leave	1,666	1,647
Lease make good	1,214	846
Straight line rent	472	661
NON-CURRENT PROVISIONS	3,352	3,154

(a) Movement in provisions

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

CONSOLIDATED	Lease make good \$'000	Restructuring \$'000	Onerous lease contracts \$'000	Straight line rent \$'000	Other \$'000	Total \$'000
BALANCE AT 1 JULY 2017	996	790	1,281	1,131	288	4,486
Additions through business combinations	53	-	71	-	99	223
Provisions charged to fixed assets	58	-	-	-	-	58
Provision charged/(released) to income statement	(47)	(486)	253	(2)	(86)	(368)
Payments made from provision	8	(172)	(1,008)	(162)	(82)	(1,416)
BALANCE AT 30 JUNE 2018	1,068	132	597	967	219	2,983
Current	222	132	597	306	219	1,476
Non-current	846	-	-	661	-	1,507
BALANCE AT 30 JUNE 2018	1,068	132	597	967	219	2,983
BALANCE AT 1 JULY 2018	1,068	132	597	967	219	2,983
Reversals through business sales	-	-	-	-	(6)	(6)
Provisions charged to fixed assets	566	-	-	-	-	566
Provision charged/(released) to income statement	(42)	78	21	26	29	112
Payments made from provision	(53)	(210)	(516)	(271)	(76)	(1,126)
BALANCE AT 30 JUNE 2019	1,539	-	102	722	166	2,529
Current	325	-	102	250	166	843
Non-current	1,214	-	-	472	-	1,686
BALANCE AT 30 JUNE 2019	1,539	-	102	722	166	2,529

(b) Nature and timing of provisions

(i) Lease make good

A provision is recognised in respect of existing lease contracts for the estimated present value of expenditure required to complete dismantling and site restoration obligations under the contracts. Future dismantling and restoration costs are reviewed annually. Any changes are reflected in the present value of the lease make good provision at the end of the reporting period. The effect of unwinding the discounting of the provision is recognised as a finance expense.

(ii) Restructuring

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

(iii) Onerous lease contracts

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

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

(iv) Straight line rent

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

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

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

20. Deferred revenue

	CONSOLIDATED	
	2019	2018 Restated
	\$'000	\$'000
Deferred revenue	96,939	97,760

The Group receives monies from customers prior to travel booking finalisation, which is recorded in the consolidated statement of financial position as deferred revenue as at 30 June. The monies received from customers in advance relate to air, land and cruise bookings received within 12 months of departure date relating mainly to our wholesale and inbound travel businesses.

Deferred revenue is considered a contract liability in accordance with applicable accounting standards. A portion of the deferred revenue is transferred into trade creditors upon booking finalisation, to pay the suppliers for travel products and services, with the remaining commission element earned on these bookings reflected as revenue in the consolidated statement of profit or loss and other comprehensive income in the next financial year.

During the current year, deferred revenue decreased by \$0.8 million to \$96.9 million as a result of a change in business mix, led by strong growth in cruise businesses that have a reduced timeframe for payment to suppliers compared with other products and due to a change in customers behaviour with customers booking their travel arrangements closer to the departure date. The decrease was partially offset by the addition of deferred revenue balances that were acquired from current year business acquisitions.

21. Deferred tax liabilities

(a) Deferred tax liabilities

	CONSOLIDATED	
	2019	2018
	\$'000	Restated \$'000
Accrued revenue	26,149	21,363
Property, plant and equipment	2,314	1,661
Indefinite life intangibles	34,937	33,813
Other	3,974	3,430
GROSS DEFERRED TAX LIABILITIES	67,374	60,267
Set-off of deferred tax assets and liabilities pursuant to set-off provisions	(22,168)	(23,139)
NET DEFERRED TAX LIABILITIES	45,206	37,128
Deferred tax liabilities expected to be settled within 12 months	18,241	11,893
Deferred tax liabilities expected to be settled after more than 12 months	49,133	48,374
GROSS DEFERRED TAX LIABILITIES	67,374	60,267

(b) Movement in temporary differences during the year

CONSOLIDATED	Accrued revenue \$'000	Property plant and equipment \$'000	Indefinite life intangibles \$'000	Other \$'000	Total \$'000
BALANCE AT 1 JULY 2017	18,352	1,549	31,713	3,836	55,450
(Charged)/credited					
- to profit or loss	2,989	112	-	(508)	2,593
- to other comprehensive income	-	-	-	86	86
Additions through business combinations	22	-	2,100	16	2,138
BALANCE AT 30 JUNE 2018	21,363	1,661	33,813	3,430	60,267
BALANCE AT 1 JULY 2018	21,363	1,661	33,813	3,430	60,267
(Charged)/credited					
- to profit or loss	4,786	653	974	426	6,839
- to other comprehensive income	-	-	-	(214)	(214)
Additions through business combinations	-	-	150	332	482
BALANCE AT 30 JUNE 2019	26,149	2,314	34,937	3,974	67,374

22. Other liabilities

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Lease incentives	483	807
OTHER CURRENT LIABILITIES	483	807
Lease incentives	2,819	994
Redemption liability (i)	4,800	7,200
Other non-current liabilities	351	320
OTHER NON-CURRENT LIABILITIES	7,970	8,514

(i) The redemption liability relates to the estimated consideration payable by Helloworld Travel for the remaining 40.0% non-controlling interest in Asia Escape Holidays in FY23. The redemption liability is a financial liability measured at fair value through profit or loss at the end of each reporting period. During the current year, the redemption liability was revalued to \$4.8 million (2018: \$7.2 million) and the remeasurement of \$2.4 million was recognised in the profit or loss. For further details on the assumptions used in the remeasurement, refer note 28: financial risk management.

23. Issued capital

(a) Shares on issue

	CONSOLIDATED			
	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Issued capital – fully paid	121,378,076	119,797,576	416,346	408,708
Issued capital – issued, but not vested (i)	3,280,000	4,710,500	(127)	(213)
ISSUED CAPITAL	124,658,076	124,508,076	416,219	408,495

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

(i) Issued capital – issued, but not vested

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

(b) Movements in shares on issue

CONSOLIDATED	Note	Date	Number of Shares	\$'000
BALANCE		1 July 2017	120,204,418	395,081
LTIP shares	36	26 July 2017	350,000	-
LTIP shares	36	30 August 2017	500,000	-
Forfeited franchise loyalty plan shares converted to fully paid capital (i)		31 August 2017	-	58
Shares offered as consideration for the ownership interest in Cooney Investments	13	21 September 2017	73,395	320
Forfeited LTIP shares converted to fully paid capital (ii)		1 November 2017	-	690
Franchise loyalty plan shares	36	24 November 2017	30,000	-
Franchise loyalty plan shares	36	1 February 2018	32,750	-
Forfeited franchise loyalty plan shares converted to fully paid capital (i)		6 February 2018	-	24
Shares offered as consideration for the Magellan Travel Group acquisition	34	1 March 2018	2,427,649	11,500
LTIP shares	36	1 April 2018	700,000	-
Shares offered as consideration for the ownership interest in Asia Escape Holidays	34	31 May 2018	189,864	888
Costs associated with capital raising and selling forfeited shares			-	(66)
BALANCE		30 June 2018	124,508,076	408,495
BALANCE		1 July 2019	124,508,076	408,495
Forfeited LTIP shares converted to fully paid capital (ii)		28 August 2018	-	2,600
Forfeited LTIP shares converted to fully paid capital (ii)		29 August 2018	-	1,300
Forfeited franchise loyalty plan shares converted to fully paid capital (i)		29 August 2018	-	26
Vested and exercised franchise loyalty plan shares (iii)		31 October 2018	-	2,567
Transfer of shares issued under legacy performance rights		31 October 2018	-	1,250
LTIP shares	36	26 March 2019	150,000	-
Costs associated with selling forfeited shares			-	(19)
BALANCE		30 June 2019	124,658,076	416,219

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

During the current year, 5,000 shares (2018: 18,250 shares) relating to the franchise loyalty plan did not meet vesting conditions and were relinquished by the participants. These shares were subsequently sold on market at a share price of \$5.20 (2018: \$4.45 to \$4.50), resulting in proceeds of \$26,000 (2018: \$81,475). As a result, these shares are now fully paid and no longer subject to the previous vesting conditions.

(ii) Forfeited LTIP shares converted to fully paid capital

During the current year, 900,000 shares (2018: 150,000 shares) relating to the LTIP did not meet vesting conditions and were relinquished by the participants. These shares were subsequently disposed of at a weighted average share price of \$5.08 (2018: \$4.60), amounting to \$4.6 million (2018: \$0.7 million), of which \$3.9 million was received in the current year. As a result, these shares are now fully paid and no longer subject to the previous vesting conditions. As at 30 June 2019, there are 3,250,000 (2018: 4,000,000) shares issued under the LTIP that have not yet vested and are subject to future performance criteria.

(iii) Vested and exercised franchise loyalty plan shares

On 31 October 2018, 675,500 shares under the franchise loyalty plan vested at nil consideration. As at 30 June 2019, there are 30,000 (2018: 710,500) shares issued under the franchise loyalty plan that have not yet vested and are subject to future non-market conditions. The share based payment expense relating to the vested franchise loyalty shares was transferred to issued capital in the current year.

24. Reserves

	CONSOLIDATED	
	2019	2018
	\$'000	Restated \$'000
Foreign currency translation reserve	4,505	2,617
Hedging reserve	1,094	1,639
Share based payments reserve	2,322	4,660
Redemption reserve	(7,200)	(7,200)
RESERVES	721	1,716

(a) Movements in reserves

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

CONSOLIDATED	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Share based payments reserve \$'000	Redemption reserve \$'000	Total \$'000
BALANCE AT 1 JULY 2017	3,802	750	2,598	-	7,150
Revaluation - gross	-	1,259	-	-	1,259
Revaluation - deferred tax	-	(370)	-	-	(370)
Foreign currency translation restated	(1,185)	-	-	-	(1,185)
Share based payment expense	-	-	2,062	-	2,062
Option for additional interest in subsidiary	-	-	-	(7,200)	(7,200)
BALANCE AT 30 JUNE 2018 RESTATED	2,617	1,639	4,660	(7,200)	1,716
BALANCE AT 1 JULY 2018 RESTATED	2,617	1,639	4,660	(7,200)	1,716
Revaluation - gross	-	(759)	-	-	(759)
Revaluation - deferred tax	-	214	-	-	214
Foreign currency translation	1,888	-	-	-	1,888
Share based payment expense	-	-	1,479	-	1,479
Transfer of reserve for vested shares to share capital	-	-	(3,817)	-	(3,817)
BALANCE AT 30 JUNE 2019	4,505	1,094	2,322	(7,200)	721

(b) Nature of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve, as described in note 38: significant accounting policies. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedging transactions that have not yet occurred, as described in note 38: significant accounting policies. Amounts are reclassified to the consolidated statement of profit or loss and other comprehensive income when the associated hedge transaction affects profit and loss.

(iii) Share based payments reserve

The share based payments reserve is used to recognise the grant date fair value of incentive shares issued to eligible employees with performance related conditions. In addition, the reserve records the fair value of franchise loyalty shares issued to eligible franchise network members with related conditions. Once the vesting conditions of the respective share schemes are met and the shares are exercised, the accumulated amount of the share based payment reserve relating to the vested shares is transferred to share capital.

(iv) Redemption reserve

The redemption reserve relates to Helloworld Travel's option to purchase the remaining 40.0% non-controlling interest in Asia Escape Holidays and was determined in the signed sale and purchase agreement for the original 60.0% controlling interest in the business. Upon exercise of forfeiture, the balance of the redemption reserve is recycled through equity. Group has recognised a financial liability for the estimated amount payable that is subsequently measured at fair value through the profit or loss at the end of each reporting period.

25. Accumulated losses

	CONSOLIDATED	
	2019	2018
	\$'000	Restated \$'000
ACCUMULATED LOSSES AT THE BEGINNING OF THE FINANCIAL YEAR	(120,338)	(133,447)
Profit after income tax expense attributable to the owners of Helloworld Travel Limited	38,116	30,779
Dividends	(23,657)	(18,168)
Dividends associated with LTIP	468	498
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	(105,411)	(120,338)

26. Auditor's remuneration

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

	CONSOLIDATED	
	2019	2018
	\$	\$
AUDIT SERVICES - PwC AUSTRALIA		
Audit or review of the financial statements	931,600	852,500
OTHER SERVICES - PwC AUSTRALIA		
Taxation services	146,221	185,263
Other services	370,981	283,232
TOTAL OTHER SERVICES - PwC AUSTRALIA	517,202	468,495
TOTAL SERVICES - PwC AUSTRALIA	1,448,802	1,320,995
NETWORK FIRMS OF PwC AUSTRALIA		
Audit services	204,873	193,832
Taxation services	79,074	81,086
Other services	34,298	66,838
TOTAL SERVICES - NETWORK FIRMS OF PwC AUSTRALIA	318,245	341,756
NON-PwC AUDIT FIRMS		
Audit services - unrelated firms	60,190	61,015
Taxation services	99,724	16,488
Other services	1,423	5,429
TOTAL SERVICES - NON-PwC AUDIT FIRMS	161,337	82,932

27. Cash flow reconciliation

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

	CONSOLIDATED	
	2019	2018
	\$'000	Restated \$'000
PROFIT AFTER INCOME TAX EXPENSE FOR THE YEAR	38,154	30,830
Adjustments for:		
Depreciation and amortisation expense	20,420	17,320
Share based payment expense	1,479	2,062
Proceeds from forfeited shares sales, net of costs	3,907	706
Profit on disposal of property, plant and equipment	(24)	(83)
Profit on disposal of investments	(2,013)	(139)
Loss allowance on trade receivables	461	339
Share of profit of associates accounted for using the equity method	(1,437)	(1,509)
Fair value adjustment on redemption liability	(2,400)	-
Amortisation of borrowing costs	177	151
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(5,483)	4,461
Increase in accrued revenue	(17,448)	(6,415)
(Increase)/decrease in derivative financial instruments	346	(2,270)
Decrease in inventories	68	5
(Decrease)/increase in trade and other payables	10,176	(12,367)
(Decrease)/increase in deferred revenue	(5,441)	4,240
Decrease in provisions	(63)	(747)
(Decrease)/increase in other liabilities	1,371	(820)
Movements in tax balances	(1,790)	6,216
NET CASH FROM OPERATING ACTIVITIES	40,460	41,980

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

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

	Cash flows			Non-cash	
	Balance 1 July 2018 \$'000	Proceeds of borrowings \$'000	Movement in related party loans \$'000	Foreign exchange movement \$'000	Balance at 30 June 2019 \$'000
CONSOLIDATED - 2019					
Non-current borrowings - secured bank loan	42,066	15,000	-	(66)	57,000
Non-current receivables - loans to related parties	(2,314)	-	(2,187)	-	(4,501)
NET DEBT FROM FINANCING ACTIVITIES	39,752	15,000	(2,187)	(66)	52,499

	Cash flows			Non-cash	
	Balance at 1 July 2017 \$'000	Proceeds/ (repayments) of borrowings	Movement in related party loans \$'000	Foreign exchange movement \$'000	Balance at 30 June 2018 \$'000
CONSOLIDATED - 2018					
Current borrowings - unsecured financing	104	(104)	-	-	-
Non-current borrowings - secured bank loan	20,827	21,667	-	(428)	42,066
Non-current receivables - loans to related parties	-	-	(2,314)	-	(2,314)
NET DEBT FROM FINANCING ACTIVITIES	20,931	21,563	(2,314)	(428)	39,752

28. Financial risk management

The Group's principal financial instruments are outlined below. Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 38: significant accounting policies.

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

The Group holds the following financial instruments:

	CONSOLIDATED	
	2019	2018
	\$'000	Restated \$'000
FINANCIAL ASSETS		
Cash and cash equivalents	204,755	203,528
Trade and other receivables (excluding contingent consideration receivable)	102,311	83,762
FINANCIAL ASSETS AT AMORTISED COST	307,066	287,290
Contingent consideration receivable	1,233	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	1,233	-
DERIVATIVE FINANCIAL INSTRUMENTS	368	1,471
FINANCIAL LIABILITIES		
Trade and other payables (excluding contingent consideration payable)	210,983	193,638
Borrowings (excluding deferred borrowings costs)	57,000	42,066
FINANCIAL LIABILITIES AT AMORTISED COST	267,983	235,704
Contingent consideration payable	-	2,520
Redemption liability	4,800	7,200
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	4,800	9,720

(a) Liquidity risk

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

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

Management monitors rolling forecasts of the Group's liquidity reserves (comprising the undrawn facilities outlined in note 18: borrowings) and cash and cash equivalents (outlined in note 10: cash and cash equivalents) on the basis of expected cash flows. Financing arrangements, including details on the interest bearing liabilities and facilities and maturity dates, are contained in note 18: borrowings.

(i) Maturities of financial liabilities

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

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

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

CONSOLIDATED - 2019	Contractual maturities of financial liabilities								Total \$'000
	Carrying value \$'000	Less than 6 months \$'000	6-12 months \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	More than 5 years \$'000	
NON-DERIVATIVE FINANCIAL INSTRUMENTS									
Trade and other payables	210,983	210,983	-	-	-	-	-	-	210,983
Redemption liability	4,800	-	-	-	-	4,800	-	-	4,800
Interest bearing liabilities – secured (i)	57,000	1,237	1,218	2,409	59,084	-	-	-	63,948
Bank guarantees and letter of credit	-	2,158	5,518	-	1,071	42	-	3,227	12,016
TOTAL	272,783	214,378	6,736	2,409	60,155	4,842	-	3,227	291,747

CONSOLIDATED - 2018	Contractual maturities of financial liabilities								Total \$'000
	Carrying value \$'000	Less than 6 months \$'000	6-12 months \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	More than 5 years \$'000	
NON-DERIVATIVE FINANCIAL INSTRUMENTS									
Trade and other payables restated	193,638	193,638	-	-	-	-	-	-	193,638
Contingent consideration payable	2,520	-	2,520	-	-	-	-	-	2,520
Redemption liability	7,200	-	-	-	-	-	7,200	-	7,200
Interest bearing liabilities – secured (i)	42,066	945	932	1,902	1,923	43,796	-	-	49,498
Bank guarantees and letter of credit	-	2,743	4,392	1,445	156	1,069	-	346	10,151
TOTAL	245,424	197,326	7,844	3,347	2,079	44,865	7,200	346	263,007

(i) Excludes deferred borrowing costs.

(b) Market risk

(i) Foreign exchange risk

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

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

The Board's risk management policy is to hedge forecasted foreign currency cash flows in the wholesale businesses using forward foreign exchange contracts and to not enter into, issue or hold derivative financial instruments for speculative trading purposes. As at 30 June 2019, all forecasted transactions were highly probable to occur and all the forward foreign exchange contracts were considered effective hedges in accordance with applicable accounting standards.

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

Derivatives

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

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
CURRENT ASSETS		
Forward foreign exchange contracts – cash flow hedges	368	1,471
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENT ASSETS	368	1,471

Derivatives are presented as current assets as they are expected to be settled within 12 months after the end of the reporting date. The Group's accounting policy for its cash flow hedges is set out in note 38: significant accounting policies.

Exposure

As at 30 June 2019, the Group's net exposure to foreign currency risk is set out in the table below. The table includes the following:

- Foreign cash holdings as at year end;
- Receivables including accrued revenue denominated in foreign currencies as at year end;
- Current trade payables and forward payment obligations in foreign currencies as at year end; and
- Foreign currency exchange contracts outstanding as at year end.

	CONSOLIDATED	
	2019 \$'000 AUD equivalent	2018 \$'000 AUD equivalent
CURRENCY		
USD	(250)	(2,028)
EUR	(902)	(1,140)
GBP	(417)	(395)
FJD	(1,272)	(1,935)
NZD	5,834	11,806
Other currencies	(3,691)	(4,155)
NET TOTAL FOREIGN CURRENCY EXPOSURE ASSET/(LIABILITY)	(698)	2,153

Sensitivity

The following table summarises the impact of a 10% increase (strengthening of AUD) and decrease (weakening of AUD) in foreign exchange rates on the net profit in the statement of profit or loss and other comprehensive income. The sensitivity rate represents management's assessment of the reasonable possible change in foreign exchange rates and is used when reporting foreign currency risk to key management personnel. The sensitivity analysis assumes hedge effectiveness as at 30 June 2019 and that all other variables including interest rates, remain constant.

	CONSOLIDATED Impact on net profit before tax	
	2019 \$'000	2018 \$'000
10% increase (2018: 10%)	1,009	667
10% decrease (2018: 10%)	(1,234)	(816)

(ii) Interest rate risk

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

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

Exposure

As at 30 June 2019, the Group had term deposits amounting to \$55.7 million (2018: \$50.1 million) with an average interest rate of 3.2% per annum (2018: 3.1%). In addition, the Group had drawn down borrowings of \$57.0 million (2018: \$42.1 million) and other cash funds held in operational and foreign currency bank accounts with interest at market rates under normal commercial terms.

Sensitivity

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

	CONSOLIDATED Impact on net profit before tax	
	2019 \$'000	2018 \$'000
SHORT TERM DEPOSITS		
Increase by 100 basis points (2018: 100 basis points)	557	500
Decrease by 100 basis points (2018: 100 basis points)	(557)	(500)
BORROWINGS		
Increase by 100 basis points (2018: 100 basis points)	(570)	(421)
Decrease by 100 basis points (2018: 100 basis points)	570	421

(c) Credit risk

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

Risk management

The Group has credit risk associated with travel agents, airlines, industry settlement organisations and direct suppliers. The Group minimises credit risk through the application of stringent credit policies, regular monitoring and accreditation of travel agents through industry programs. A portion of Helloworld Travel's credit risk is also mitigated through offsetting receivable and payable balances between Helloworld Travel and key suppliers. In addition, the Group's key customers include Qantas Airways Limited and its subsidiaries and various Australian Government agencies which have a low risk of default.

Where specific credit risk is identified with a counterparty, the Group requires pre-payment for services provided. A reservation for such a counterparty is not confirmed or ticketed prior to receiving payment in full.

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

Exposure

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

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

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Cash and cash equivalents	204,755	203,528
Trade and other receivables (including contingent consideration receivable)	103,544	83,762
Accrued revenue	66,681	48,361
Derivative financial instruments	368	1,471
TOTAL CREDIT RISK EXPOSURE	375,348	337,122

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade receivables
- Accrued revenue
- Investments and other financial assets at amortised cost (such as other receivables and loans to related parties)

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued revenue, refer note 38: significant accounting policies for more information regarding the calculation of impairment losses.

The loss allowance as at 30 June for both trade receivables and accrued revenue was:

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Not past due	-	-
Past due 1 - 30 days	10	2
Past due 31 - 60 days	59	175
Past due 61 - 90 days	236	228
More than 90 days	419	184
TOTAL LOSS ALLOWANCE ON TRADE RECEIVABLES AND ACCRUED REVENUE	724	589

Movements in the loss allowance for both trade receivables and accrued revenue are as follows:

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
BALANCE AT 1 JULY	589	510
Acquisitions through business combinations	31	24
Additional loss allowance recognised	461	339
Writeback of loss allowance	(213)	(209)
Receivables written off during the year as uncollectable	(152)	(64)
Other	8	(11)
BALANCE AT 30 JUNE	724	589

During the current year, a loss allowance of \$0.5 million (2018: \$0.3 million) relating to receivables and accrued revenue arising from contracts with customers was recognised in the statement of profit or loss and other comprehensive income.

The ageing of trade receivables and accrued revenue net of loss allowance at 30 June was:

	CONSOLIDATED	
	2019 \$'000	2018 Restated \$'000
Neither past due nor impaired	128,401	95,844
Past due 1 - 30 days	7,209	9,141
Past due 31 - 60 days	4,337	3,996
Past due 61 - 90 days	1,749	1,677
More than 90 days	976	1,743
TOTAL TRADE RECEIVABLES AND ACCRUED REVENUE NET OF LOSS ALLOWANCE	142,672	112,401

As at 30 June 2019, trade receivables of \$14.3 million (2018: \$16.6 million) were past due but not impaired. These relate to a number of independent counterparties for whom there is no recent history of default.

Impairment of investments and other financial assets at amortised cost

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

(d) Net fair values

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

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

	2019		2018	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
CONSOLIDATED				
Interest bearing assets – non-current	4,501	4,501	2,314	2,314
TOTAL ASSETS	4,501	4,501	2,314	2,314
Interest bearing liabilities – non-current	56,428	57,000	41,465	42,066
TOTAL LIABILITIES	56,428	57,000	41,465	42,066

(e) Fair value hierarchy

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

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

There were no transfers between level 1, 2 and 3 for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. The table below analyses financial instruments carried at fair value, by valuation method.

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
CONSOLIDATED - 2019				
Net derivative financial assets	-	368	-	368
Contingent consideration receivable (i)	-	-	1,233	1,233
TOTAL ASSETS	-	368	1,233	1,601
Redemption liability (iii)	-	-	4,800	4,800
TOTAL LIABILITIES	-	-	4,800	4,800

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

(i) Valuation of contingent consideration receivable

On 30 June 2019, Helloworld Travel sold its Insider Journeys business for a total consideration of \$2.4 million, which included a contingent consideration receivable of \$1.2 million, that is recognised and reported as a non current receivable on the consolidated statement of financial position.

The contingent consideration of \$1.2 million was determined in accordance with the sale contract and is based on a fixed percentage of annual eligible total transaction value achieved by the new owners of the Insider Journeys business during the subsequent three year period commencing 1 July 2019. The contingent consideration expected for each future year (FY20-FY22) will be calculated quarterly and invoiced to the new owners for settlement based on the eligible total transaction value achieved. Any future remeasurement of the consideration is recognised in the consolidated statement of profit or loss.

The eligible total transaction value used in the calculation of the contingent consideration was based on Helloworld Travel's knowledge of the business, the future business operating plans outlined by the new owners and the expected industry and economic conditions. This methodology resulted in a projected eligible total transaction value for the future three years which was applied to the set percentage specified in the contract, to determine the fair value of the contingent consideration receivable as at 30 June 2019.

(ii) Valuation of contingent consideration payable

On 31 May 2018, Helloworld Travel acquired 60.0% of the share capital in Keygate Holdings Pty Ltd, trading as Asia Escape Holidays. As part of this acquisition, a contingent consideration payable was determined in accordance with the conditions of the sale and purchase contract. The contingent consideration was based on a multiple of Asia Escape Holiday's expected financial performance in FY19, in excess of an agreed benchmark. The contingent consideration was valued at the date of acquisition at \$2.5 million.

In the current year, Asia Escape Holidays overall FY19 performance did not result in any payment of contingent consideration as it was below the FY19 target level per the sale and purchase contract. Therefore, the contingent consideration was not payable on 1 July 2019 and has been reversed in the current year against provisional goodwill upon finalisation of the acquisition accounting. In accordance with applicable accounting standards, Helloworld Travel had 12 months from the acquisition date to finalise the acquisition accounting.

(iii) Valuation of the redemption liability

Helloworld Travel has a call option to buy the remaining 40.0% ownership interest in Asia Escape Holidays on 1 July 2022. In addition, the non-controlling minority interest holder has a put option to sell their 40.0% ownership interest to Helloworld Travel at the same point in time.

The signed sale and purchase agreement for the original 60.0% controlling interest purchased on 31 May 2018 outlines the conditions and mechanism for determining the expected amount of consideration payable for the remaining 40.0% ownership interest. The consideration is determined using Asia Escape Holidays' financial performance in FY22 as a valuation multiple. The option can be exercised on 1 July 2022 and the consideration is payable in FY23 via 75.0% cash and 25.0% shares in Helloworld Travel.

The financial liability in relation to the put option of the remaining non-controlling interest in Asia Escape Holidays is recorded as a redemption liability in note 22: other liabilities and the potential future purchase of the remaining ownership interest is recorded in the redemption reserve within equity. In accordance with applicable accounting standards, the option is valued at each reporting date and any changes in the fair value measurement of the redemption liability in subsequent financial years are recorded in the profit or loss.

In the current year, Helloworld Travel has reviewed and revised its key assumptions used in determining the fair value of the redemption liability. Based on the current estimates of future sales and the updated economic conditions, the revised projected financial performance in FY22 has been lowered, resulting in the redemption liability being valued at \$4.8 million as at 30 June 2019. The fair value adjustment of \$2.4 million has been recognised within operating expenses in the profit or loss in the current year.

(e) Capital management

(i) Capital Structure

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

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

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

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

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

(ii) Loan covenants

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

29. Commitments and contingencies

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
LEASE COMMITMENTS - AS LESSEE		
Future minimum lease payments for non-cancellable operating leases are payable as follows:		
Within one year	9,198	10,316
One to five years	15,041	13,473
More than five years	3,836	1,509
TOTAL LEASE EXPENDITURE CONTRACTED FOR AT YEAR END	28,075	25,298
LEASE COMMITMENTS - AS LESSOR		
Future minimum lease receipts are as follows:		
Within one year	471	463
One to five years	278	753
TOTAL LEASE INCOME CONTRACTED FOR AT YEAR END	749	1,216

(a) Lease commitments - as lessee

The Group predominantly leases commercial properties under non-cancellable operating leases. These leases have an average life of between 3 and 10 years and generally provide the Group with a right of renewal at which time all terms are renegotiated. There are no restrictions placed upon the lessee by entering into these leases. The Group recognised rent expense of \$10.2 million in the period (2018: \$9.6 million).

(b) Lease commitments - as lessor

The Group recognised lease rental income of \$0.6 million (2018: \$0.6 million). Rental income is derived from the sublease of surplus office space and the lease of one investment property up until its disposal on 27 September 2018.

(c) Guarantees

The Group has on issue bank guarantees and letters of credit as at 30 June 2019 totalling \$12.0 million (2018: \$10.2 million). In addition, Helloworld Travel Limited has entered into a Deed of Cross Guarantee with certain Australian wholly owned controlled entities as outlined in note 32: parent entity information.

(d) Business acquisition commitments

In FY17, Helloworld Travel acquired 50.0% ownership in MTA for a total consideration of \$14.2 million. The signed sale and purchase agreement for the original 50.0% controlling interest purchased outlines the conditions and mechanism for determining the basis of the consideration for the remaining 50.0% ownership interest. Helloworld Travel has a call option to buy the remaining 50.0% ownership interest in MTA on 1 December 2021. The associate party has a put option to sell its remaining 50.0% ownership interest to Helloworld Travel 30 days after the expiry of the call option period.

During the current year, Helloworld Travel entered into commercial agreements for the distribution of travel products. Two of the agreements included conditions on the future potential purchase of businesses in five years' time (FY24). Helloworld Travel has a call option and the businesses have a put option in relation to the future ownership of the business.

The value of the commitment for these arrangements is based on a future valuation of the financial performance of the respective business in the preceding financial year prior to the exercise of the option, at a set market based valuation multiple. As there is no current ownership control by Helloworld Travel in these businesses, there is no put option financial instrument valuation required for inclusion in the 30 June 2019 financial report.

(e) Contingencies

As at 30 June 2019, there are no significant contingent assets or contingent liabilities.

30. Related party transactions

(a) Subsidiaries

Details relating to subsidiaries are included in note 31: particulars in relation to controlled entities.

(b) Ultimate and direct parent

Helloworld Travel Limited is the legal owner of the Group. Refer to note 32: parent entity information for further information.

(c) Associates and joint ventures

Helloworld Travel undertake transactions with its associates and joint ventures. The list of associates and joint ventures held by Helloworld Travel are outlined in note 13: investments accounted for using the equity method.

(d) Entities with significant influence

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

- Andrew and Cinzia Burnes and their director related entities hold 31.4% (2018: 35.4%) of the ordinary shares of Helloworld Travel Limited following the FY16 merger with the AOT Group and its controlled entities. Andrew Burnes is the CEO and Managing Director of Helloworld Travel Limited and both are executive Board members of the Group.
- QH Tours Limited, a wholly owned subsidiary of Qantas Airways Limited, holds 15.4% (2018: 17.1%) of the ordinary shares of Helloworld Travel Limited and has an executive member, Andrew Finch on the Board.

(e) Key management personnel (KMP) compensation

	CONSOLIDATED	
	2019 \$	2018 \$
Short term employee benefits	3,815,454	2,922,519
Long term employee benefits	31,180	40,968
Share based payment benefits	503,646	147,666
Post employment benefits	120,448	122,040
TOTAL KMP COMPENSATION	4,470,728	3,233,193

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

(f) Transactions with related parties

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
The following trading transactions occurred with related parties:		
(i) Revenue derived from:		
Associates and joint ventures	558	873
Entities with significant influence over the Group	53,347	48,248
(ii) Expenses incurred as a result of transactions with:		
Associates and joint ventures	6,149	5,297
Entities with significant influence over the Group	7,740	7,859
(iii) Receivables as at 30 June:		
Associates and joint ventures	1,475	477
Entities with significant influence over the Group	15,029	9,837
(iv) Payables as at 30 June:		
Associates and joint ventures	1,339	1,463
Entities with significant influence over the Group	1,827	2,958

Terms and conditions and nature of related party trading transactions

Sales to and purchases from related parties are made at arm's length at normal market prices and on normal commercial terms. Andrew and Cinzia Burnes are both Directors of Normanby Road Holdings Pty Ltd (ATF 179 Normanby Road Trust), which owns and leases to Helloworld Travel, the head office premises for the AOT Group operations. Helloworld Travel derived revenue on a net agent basis from Qantas Airways Limited and its controlled entities (Qantas) through commercial agreements, and incur expenses under an agreement with Qantas for services including shared services, IT services, labour recharges, frequent flyer arrangement, intellectual property rights and website agreements. Transactions and balances with these entities are included in note: 30(f) above.

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

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
The following loan transactions occurred with related parties:		
(i) Interest revenue from:		
Associates of the Group	165	102
(ii) Non-current loans as at 30 June:		
Associates of the Group	4,501	2,314

Terms and conditions of related party loan transactions

On 31 December 2018, Helloworld Travel provided a five year loan to the owners of Hunter Travel Group Pty Ltd (HTG), amounting to \$2.5 million. No repayment of this loan was made in the current year.

The loan was provided to the HTG business to support its strategic business expansion. The loan was made on an arm's length basis under normal commercial terms and conditions and is secured by the assets of the business. Interest accrues daily and is invoiced on a quarterly basis on 30 day terms. The interest rate is based on the Australian Bank Bill swap reference plus a commercial mark up margin. Under the terms of the loan agreement, Helloworld Travel has the right to convert some of the outstanding loan balance to HTG shares at specified conversion periods in three to five years from the loan date, to increase its possible shareholding in HTG from 12% up to a maximum of 25%.

In the prior year, Helloworld Travel provided five year loans to the owners of Hunter Travel Group Pty Ltd and Cooney Investments Pty Ltd, amounting to \$2.9 million. The loans were partially repaid by the owners of \$0.3 million (2018: \$0.6 million) in the current year. The closing balance as at 30 June 2019 amounted to \$2.0 million (2018: \$2.3 million).

(g) Transactions with key management personnel (KMP)

During the current year, Nick Sutherland was appointed as a KMP, resulting in the disclosure of 200,000 previously allocated shares.

In the prior year, 500,000 shares were allocated to John Constable under the 1 April 2018 grant, with vesting date of 31 December 2020. The shares were valued at the market value at the grant date of \$4.67 per share. In addition, Russell Carstensen resigned from Helloworld Travel, and his allocated 250,000 shares were subsequently forfeited and sold on market.

As at 30 June 2019, there are 1,350,000 (2018: 1,150,000) shares allocated under the LTIP program to KMP. A loan is provided to each participant equal to the number of shares issued at market value. As at 30 June 2019, the loan to the KMP amounts to \$4.7 million (2018: \$4.2 million).

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

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

Year ended 30 June 2019		Number of Shares				Loan Value (\$)		
Name	Role	Opening Balance	Addition as KMP	Granted	Closing Balance	Opening Balance	Movement	Closing Balance
M Burnett	Chief Financial Officer	500,000	-	-	500,000	1,421,356	(71,929)	1,349,427
S McKearney	Group GM - New Zealand	150,000	-	-	150,000	426,407	(21,579)	404,828
J Constable	Group GM - Retail & Commercial	500,000	-	-	500,000	2,337,350	(71,929)	2,265,421
N Sutherland	Group GM - Corporate	-	200,000	-	200,000	-	711,254	711,254
		1,150,000	200,000	-	1,350,000	4,185,113	545,817	4,730,930

Year ended 30 June 2018

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

On 1 July 2019, the LTIP shares granted on 1 July 2016 to Michael Burnett of 500,000 shares and Simon McKearney of 150,000 shares met their vesting conditions. The Board determined the vesting conditions were met at the end of the grant performance period of 1 July 2019 based on the company's financial performance exceeding the total shareholder returns target and individual key performance targets over the three year vesting period.

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

31. Particulars in relation to controlled entities as at 30 June 2019

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 38. The proportion of ownership interest shown in this table is equal to the proportion of voting power held.

NAME	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2019 %	2018 %
Helloworld Travel Limited ^{1,2}	Australia	N/A	N/A
ACN 003 683 967 Pty Limited ²	Australia	100.0	100.0
AOT Group Limited ²	Australia	100.0	100.0
AOT Inbound Pty Limited ²	Australia	100.0	100.0
AOT Retail Pty Limited ²	Australia	100.0	100.0
Atlantic & Pacific Business Travel Pty Limited ³	Australia	-	100.0
ATS Pacific Pty Limited ²	Australia	100.0	100.0
Aus STS Holdco II Pty Limited ²	Australia	100.0	100.0
Australian Online Travel Pty Limited ²	Australia	100.0	100.0
Best Flights Pty Limited ²	Australia	100.0	100.0
Flight Systems Pty Limited ²	Australia	100.0	100.0
Harvey Holidays Pty Limited	Australia	100.0	100.0
Harvey World Travel Franchises Pty Limited ²	Australia	100.0	100.0
Harvey World Travel Group Pty Limited ²	Australia	100.0	100.0
Harvey World Travel International Pty Limited ³	Australia	-	100.0
Helloworld Digital Pty Limited ³	Australia	-	100.0
Helloworld Franchising Pty Limited ²	Australia	100.0	100.0
Helloworld Group Pty Limited ²	Australia	100.0	100.0
Helloworld IP Pty Limited ²	Australia	100.0	100.0
Helloworld Services Pty Limited ²	Australia	100.0	100.0
Helloworld Travel Services (Australia) Pty Limited	Australia	100.0	100.0
Helloworld Travel Services Group Pty Limited ²	Australia	100.0	100.0
Helloworld Travel Services Holdings Pty Limited ²	Australia	100.0	100.0
Helloworld Travel Southland Pty Ltd ^{2,3}	Australia	100.0	-
Jetset Pty Limited ²	Australia	100.0	100.0
Jetset Travelworld Network Pty Limited ²	Australia	100.0	100.0
JTG Corporate Pty Limited ²	Australia	100.0	100.0
Keygate Holdings Pty Limited	Australia	60.0	60.0
Luxury Getaways Pty Limited ²	Australia	100.0	100.0

NAME	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2019 %	2018 %
Magellan Travel Pty Limited ²	Australia	100.0	100.0
Pacific Spirit Travel Pty Limited ³	Australia	-	100.0
Pillowpoints Pty Limited ²	Australia	100.0	100.0
Qantas Holidays Limited	Australia	100.0	100.0
QBT Pty Limited ²	Australia	100.0	100.0
Retail Travel Investments Pty Limited ²	Australia	100.0	100.0
Show Group Pty Ltd ^{2,3}	Australia	100.0	-
Skiddoo IT Pty Ltd ²	Australia	100.0	100.0
Skiddoo Pty Limited ²	Australia	100.0	100.0
Sunlover Holidays Pty Limited ²	Australia	100.0	100.0
Transonic Travel Pty Limited ²	Australia	100.0	100.0
Travelpoint Pty Limited ²	Australia	100.0	100.0
Travelscene Pty Limited ²	Australia	100.0	100.0
Travelworld Pty Limited ²	Australia	100.0	100.0
AOT Business Consulting (Shanghai) Limited	China	100.0	100.0
Allied Tour Services Pacific Pte Limited	Fiji	100.0	100.0
Coral Sun Pte Limited	Fiji	60.0	60.0
Great Sights (Fiji) Pte Limited	Fiji	60.0	60.0
Tourist Transport (Fiji) Pte Limited	Fiji	60.0	60.0
AOT India PVT LTD	India	100.0	100.0
Travel Indochina Laos Co Limited ³	Laos	-	70.0
AOT New Zealand Limited	New Zealand	100.0	100.0
Atlantic and Pacific Business Travel Limited	New Zealand	100.0	100.0
Australian Travel Services (Pacific) Limited	New Zealand	100.0	100.0
Biztrav Limited	New Zealand	76.6	76.6
GP Holiday Shoppe Limited	New Zealand	100.0	100.0
Gullivers Pacific Limited	New Zealand	100.0	100.0
Harvey World Travel (2008) Limited	New Zealand	100.0	100.0
Helloworld NZ Franchising Limited	New Zealand	100.0	100.0
Helloworld NZ Limited	New Zealand	100.0	100.0
Helloworld Travel Services (NZ) Limited	New Zealand	100.0	100.0
Just Tickets Limited	New Zealand	100.0	100.0
Pacific Leisure Group Limited	New Zealand	100.0	100.0
Show Group (NZ) Limited ³	New Zealand	100.0	-
Sunlover Holidays Limited	New Zealand	100.0	100.0
Travel Brokers Limited	New Zealand	100.0	100.0
United Travel Limited	New Zealand	100.0	100.0
Williment Travel Group Limited ³	New Zealand	100.0	-
Skiddoo Management Inc.	Philippines	100.0	100.0
Skiddoo Philippines Inc.	Philippines	100.0	100.0
Helloworld Travel Singapore Pte. Ltd	Singapore	100.0	100.0
Skiddoo Pte. Ltd	Singapore	100.0	100.0
Insider Journeys Limited ³	United Kingdom	-	100.0
Travel Indochina Limited ³	United Kingdom	-	100.0
Concorde International Travel Inc.	United States of America	100.0	100.0
Helloworld Travel Services USA Inc.	United States of America	100.0	100.0
Travel Indochina Vietnam Co. Ltd ³	Vietnam	-	95.0

1. Helloworld Travel Limited

Helloworld Travel Limited is the legal owner of the Group. Refer note 32: parent entity information for further details.

2. Deed of cross guarantee

These entities are included in the Deed of Cross Guarantee, refer note 33: deed of cross guarantee for further details. Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, these controlled entities are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial statements.

3. Changes to controlled entities during the current year

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

- On 18 December 2018, Helloworld Travel registered a new wholly owned entity, Show Group Pty Ltd which acquired the Australian business Show Group Enterprises on 20 December 2018.
- On 19 December 2018, Helloworld Travel registered a new wholly owned entity, Show Group (NZ) Limited which acquired the New Zealand business of Show Group Enterprises on 20 December 2018.
- On 17 April 2019, Helloworld Travel registered a new entity, Helloworld Travel Southland Pty Ltd, to own and operate a company owned store in Australia.
- On 5 June 2019, Helloworld Travel acquired 100% of Williment Travel Group Limited, a New Zealand based sports tour specialist company.

On 30 June 2019, Helloworld Travel sold its Insider Journeys business to Eight at Work Holding Pty Ltd. This sale included the disposal of four international legal entities:

- Travel Indochina Laos Co Limited
- Travel Indochina (UK) Limited
- Travel Indochina Vietnam Co Limited
- Insider Journeys (UK) Limited

On 22 August 2018, Helloworld Travel deregistered the following dormant entities:

- Atlantic & Pacific Business Travel Pty Ltd
- Harvey World Travel International Pty Ltd
- Helloworld Digital Pty Ltd
- Pacific Spirit Travel Pty Ltd

32. Parent entity information

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

(a) Results of parent entity

Summarised statement of profit or loss and other comprehensive income

	PARENT	
	2019 \$'000	2018 \$'000
Profit after income tax	25,490	22,478
TOTAL COMPREHENSIVE INCOME	25,490	22,478

Summarised statement of financial position

	PARENT	
	2019 \$'000	2018 \$'000
Total current assets	75,857	75,730
Total non-current assets	255,017	255,018
TOTAL ASSETS	330,874	330,748
Total current liabilities	-	7,560
Total non-current liabilities	-	-
TOTAL LIABILITIES	-	7,560
NET ASSETS	330,874	323,188
EQUITY		
Issued capital	573,052	565,428
Share based payments reserve	2,321	4,560
Accumulated losses	(244,499)	(246,800)
TOTAL EQUITY	330,874	323,188

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

The legal parent Helloworld Travel Limited has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 33: deed of cross guarantee.

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

The parent entity has entered into a tax funding agreement with the effect that the Company guarantees tax liabilities of other entities in the tax consolidated group. As at 30 June 2019 the tax consolidated group had a tax receivable of \$1.0 million (2018: \$7.6 million payable).

(d) Parent entity contingencies

As at 30 June 2019, there are no significant contingent assets or contingent liabilities.

(e) Parent entity issued capital

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

33. Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the entities identified in note 31: particulars in relation to controlled entities are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial statements and Directors' reports.

Helloworld Travel has had a Deed of Cross Guarantee in place since 25 May 2007, which has been amended from time to time to add or remove entities. On 20 June 2018, a replacement Deed of Cross Guarantee was entered into which included the addition of certain wholly owned Australia controlled entities in the prior year. The effect of the Deed is that Helloworld Travel Limited has guaranteed to pay any deficiency in the event of the winding up of the controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. The controlled entities which are party to the Deed have also given a similar guarantee in the event Helloworld Travel Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee.

During the current year, the following entities were added into the Deed of Cross Guarantee:

- Helloworld Travel Southland Pty Ltd
- Show Group Pty Ltd

During the current year, the following entities were deregistered and effectively removed from the Deed of Cross Guarantee:

- Atlantic & Pacific Business Travel Pty Ltd
- Pacific Spirit Travel Pty Ltd
- Helloworld Digital Pty Ltd
- Harvey World Travel International Pty Ltd

The consolidated statement of profit or loss and other comprehensive income and statement of financial position have been prepared in accordance with the accounting policy note 38: significant accounting policies comprising the Company and the controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee and is set out below.

(a) Closed Group statement of profit or loss and other comprehensive income

	CLOSED GROUP	
	2019	2018
	\$'000	Restated \$'000
REVENUE (i)	155,543	125,135
Employee benefits expenses	(73,636)	(64,981)
Advertising, selling and marketing expenses	(33,613)	(21,589)
Communication and technology expenses	(8,350)	(8,004)
Occupancy and rental expenses	(5,764)	(4,891)
Operating expenses	(15,260)	(15,106)
Profit on disposal of investments	-	139
Share of profit in associates accounted for using the equity method	119	74
EBITDA	19,039	10,777
Finance expense	(2,162)	(1,413)
Depreciation and amortisation expense	(5,806)	(3,798)
PROFIT BEFORE INCOME TAX BENEFIT	11,071	5,566
Income tax benefit	3,463	5,025
PROFIT AFTER INCOME TAX EXPENSE	14,534	10,591
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	(255)	(447)
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR	14,279	10,144

(i) Revenue includes \$22.5 million (2018: \$20.2 million) in dividends received from Australian entities outside the Closed Group. These dividends are not assessable income for tax purposes.

(b) Closed Group movement in accumulated losses

	CLOSED GROUP	
	2019	2018
	\$'000	\$'000
ACCUMULATED LOSSES AT THE BEGINNING OF THE FINANCIAL YEAR	(177,635)	(201,427)
Change in accounting policy (i)	-	(2,025)
Profit after income tax benefit	14,534	10,591
Dividends	(23,657)	(18,168)
Dividends associated with LTIP	468	498
Retained earnings transferred in due to change in closed group	-	32,896
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	(186,290)	(177,635)

(i) On 1 July 2018, Helloworld Travel adopted AASB 15: Revenue from Contracts with Customers, with the effective date of transition being 1 July 2017. A change in accounting policy has arisen in the wholesale businesses within the Closed Group that now recognise commission revenue on a departed travel basis. For further details on the nature of the Group's accounting policy change, refer note 2: changes in accounting standards.

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

	CLOSED GROUP	
	2019	2018
	\$'000	Restated \$'000
CURRENT ASSETS		
Cash and cash equivalents	29,834	31,731
Trade and other receivables	42,471	26,437
Accrued revenue	11,171	12,483
Inventories	146	115
Income tax receivable	1,011	-
TOTAL CURRENT ASSETS	84,633	70,766
NON-CURRENT ASSETS		
Trade and other receivables	4,656	2,439
Property, plant and equipment	2,122	1,269
Intangible assets	160,033	156,047
Deferred tax assets	9,239	7,387
Investments	164,146	166,363
TOTAL NON-CURRENT ASSETS	340,196	333,505
TOTAL ASSETS	424,829	404,271
CURRENT LIABILITIES		
Trade and other payables	173,982	164,197
Provisions	11,412	9,873
Deferred revenue	17,310	14,091
Income tax payable	-	7,652
TOTAL CURRENT LIABILITIES	202,704	195,813
NON-CURRENT LIABILITIES		
Borrowings	56,428	38,899
Deferred tax liabilities	13,909	13,757
Provisions	1,415	1,140
Other non-current liabilities	8,235	9,000
TOTAL NON-CURRENT LIABILITIES	79,987	62,796
TOTAL LIABILITIES	282,691	258,609
NET ASSETS	142,138	145,662
EQUITY		
Contributed equity	334,079	326,355
Reserves	(5,651)	(3,058)
Accumulated losses	(186,290)	(177,635)
TOTAL EQUITY	142,138	145,662

34. Business acquisitions

Summary of current year business acquisitions

During the current year, Helloworld has undertaken two acquisitions. The net cash flow and total purchase consideration for each acquisition is summarised below:

2019	Net outflow/(inflow) of cash - investing activities \$'000	Total purchase consideration \$'000
ACQUISITION OF BUSINESSES		
Show Group business (a)	6,063	7,000
ACQUISITION OF CONTROLLED ENTITIES		
Williment Travel Group Limited (b)	(614)	760
ADJUSTMENT TO PRIOR YEAR ACQUISITIONS OF CONTROLLED ENTITIES		
Asia Escape Holidays settlement adjustment (e)	(210)	-
TOTAL BUSINESS ACQUISITIONS	5,239	7,760

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

(a) Acquisition of the Show Group business (Show Group)

(i) Summary of acquisition

On 20 December 2018, Helloworld Travel acquired 100% of the Show Group business, a leading travel management specialist and freight logistics organisation servicing the entertainment, film, arts, fashion, corporate and sporting industries. The acquisition will enable Helloworld Travel to grow in the specialised travel and logistics segment, while complementing our existing travel management business portfolio.

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

	\$'000
Cash paid	7,000
PURCHASE CONSIDERATION	7,000

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

	\$'000
Cash and cash equivalents	937
Trade and other receivables	5,714
Accrued revenue	650
Property, plant and equipment	893
Intangible assets - software	120
Deferred tax assets	417
Trade and other payables	(5,197)
Provisions	(1,365)
Deferred revenue	(740)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	1,429
Goodwill resulting from the acquisition	5,571
FAIR VALUE OF NET ASSETS ACQUIRED	7,000

The assets and liabilities of Show Group acquired by Helloworld Travel are recorded at fair value for accounting purposes, resulting in goodwill of \$5.6 million. The acquisition accounting was provisionally determined at 30 June 2019 and subsequent adjustments may arise within 12 months of the acquisition date, including the allocation of the purchase price to the separate identifiable intangible assets and the impact of tax finalisation.

The goodwill acquired primarily represents systems, processes and technical knowledge acquired, the enlarged product and service offering that Helloworld Travel can now provide to its customers, future synergy opportunities, the experience of the Show Group's management and the future profitability of the business from exposure to a new market. The provisional goodwill has been allocated to the Australia travel management cash generating unit and is not deductible for tax purposes.

(ii) Purchase consideration – cash outflow

	\$'000
Cash paid	(7,000)
Cash and cash equivalents acquired from business	937
NET OUTFLOW OF CASH – INVESTING ACTIVITIES	(6,063)

(iii) Revenue and profit before income tax expense contribution

From the date of the acquisition, 20 December 2018 to 30 June 2019, Show Group contributed revenue of \$10.7 million and net profit before income tax expense of \$0.2 million to Helloworld Travel's results.

If the date of the Show Group acquisition was 1 July 2018, the enlarged Group revenue and net profit before income tax expense for the year ended 30 June 2019 would have been \$374.6 million and \$55.7 million respectively. These results are based on the aggregation of Helloworld Travel's and Show Group's results.

(iv) Acquisition related costs

Acquisition related costs of \$0.2 million were incurred in the acquisition and are included in other expenses in the consolidated statement of profit or loss and other comprehensive income and in operating cash flows in the consolidated statement of cash flows.

(b) Acquisition of Williment Travel Group Limited (Williment Travel)

(i) Summary of acquisition

On 5 June 2019, Helloworld Travel acquired 100% of the issued capital of Williment Travel Group Limited, a New Zealand sports travel specialist. The acquisition of Williment Travel provides Helloworld Travel with the ability to offer a broader range of unique travel offerings to its network members.

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

	\$'000
Cash paid	760
PURCHASE CONSIDERATION	760

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

	\$'000
Cash and cash equivalents	1,374
Trade and other receivables	4,854
Deferred tax assets	15
Trade and other payables	(239)
Provisions	(52)
Deferred revenue	(5,913)
Income tax payable	(24)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	15
Goodwill resulting from the acquisition	745
FAIR VALUE OF NET ASSETS ACQUIRED	760

The assets and liabilities of Williment Travel acquired by Helloworld Travel are recorded at fair value for accounting purposes, resulting in goodwill of \$0.7 million. The acquisition accounting was provisionally determined at 30 June 2019 and subsequent adjustments may arise within 12 months of the acquisition date, including the allocation of the purchase price to separate identifiable intangible assets and the impact of tax finalisation.

The goodwill acquired primarily represents processes and technical industry acquired, the enlarged product and service offering that Helloworld Travel can now provide to its customers, future synergy opportunities and the future profitability of the business. The provisional goodwill has been allocated to the New Zealand cash generating unit and is not deductible for tax purposes.

(ii) Purchase consideration – cash outflow

	\$'000
Cash paid	(760)
Cash and cash equivalents acquired from controlled entities	1,374
NET INFLOW OF CASH – INVESTING ACTIVITIES	614

(iii) Revenue and profit before income tax expense contribution

From the date of the acquisition, 5 June 2019 to 30 June 2019, Williment Travel contributed revenue of \$0.3 million and net profit before income tax expense of \$0.2 million to Helloworld Travel's results.

If the date of the Williment Travel acquisition was 1 July 2018, the Group revenue and net profit before income tax expense for the year ended 30 June 2019 would have been \$359.2 million and \$53.8 million respectively. These results are based on the aggregation of Helloworld Travel's and Williment Travel's results.

(iv) Acquisition related costs

Acquisition related costs of less than \$0.1 million were incurred in the acquisition and are included in other expenses in the consolidated statement of profit or loss and other comprehensive income and in operating cash flows in the consolidated statement of cash flows.

Summary of prior year business acquisitions

During the current year, Helloworld has finalised the acquisition accounting for several prior year acquisitions. The net cash flow and total purchase consideration for each acquisition is summarised below:

	Net outflow/(inflow) of cash – investing activities \$'000	Total purchase consideration \$'000
2018		
ACQUISITIONS OF CONTROLLED ENTITIES		
Magellan Travel (c)	19,439	32,470
Flight Systems (d)	402	1,400
Asia Escape Holidays (e)	(1,262)	2,678
TOTAL PRIOR YEAR ACQUISITIONS OF CONTROLLED ENTITIES	18,579	36,548
Acquisition of GO C&I business (f)	697	697
TOTAL PRIOR YEAR BUSINESS ACQUISITIONS	19,276	37,245

The details of the acquisition accounting relating to prior year acquisitions, including any updates made in the current year in accordance with applicable accounting standards are outlined below:

(c) Acquisition of Magellan Travel Group (Magellan Travel)

(i) Summary of acquisition

On 1 March 2018, Helloworld Travel acquired the Magellan Travel Group. The acquisition included control over Magellan Travel Group Corporate Unit Trust and Magellan Travel Group Unit Trust. These two trusts have ceased trading in the current year, with the operations being transferred to Magellan Travel Pty Limited, a wholly owned subsidiary of Helloworld Travel.

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

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

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

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

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

	Provisional at 30 June 2018 \$'000	Adjustments \$'000	Final at 30 June 2019 \$'000
Cash and cash equivalents	1,531	-	1,531
Trade and other receivables	583	-	583
Accrued revenue	215	-	215
Property, plant and equipment	38	-	38
Intangible assets - software	45	(6)	39
Intangible assets - retail distribution system	7,000	-	7,000
Intangible assets - commercial agreements	-	16,600	16,600
Trade and other payables	(1,768)	61	(1,707)
Provisions	(153)	-	(153)
Deferred tax liabilities	(2,100)	-	(2,100)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	5,391	16,655	22,046
Goodwill resulting from the acquisition	27,079	(16,655)	10,424
FAIR VALUE OF NET ASSETS ACQUIRED	32,470	-	32,470

During the current year, Helloworld Travel finalised the acquisition accounting to reflect the identification and measurement of a separate intangible asset of commercial agreements of \$16.6 million, which was separated out of provisional goodwill. Commercial agreements represent the value attributable on acquisition to the agreements with Magellan Travel for the distribution of travel products. The intangible asset is amortised over a useful life of 12 years.

The assets and liabilities of Magellan Travel acquired by Helloworld Travel are recorded at fair value for accounting purposes, resulting in goodwill of \$10.4 million. The goodwill is attributable to systems, processes and industry knowledge acquired, the experience of Magellan Travel management, future revenue synergies and the future profitability of the business. It will not be deductible for tax purposes. The goodwill has been allocated to the Australia retail distribution operations cash generating unit.

(ii) Purchase consideration – cash outflow

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

(iii) Revenue and profit before income tax expense contribution

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

If the date of the Magellan Travel acquisition was 1 July 2017, the enlarged Group revenue and net profit before income tax expense for the year ended 30 June 2018 would have been \$331.9 million and \$45.9 million respectively. These results were based on the aggregation of Helloworld Travel's and Magellan Travel's results.

(iv) Acquisition related costs

Acquisition related costs of \$0.6 million were incurred in the 2018 financial year and are included in other expenses in the consolidated statement of profit or loss and other comprehensive income and in operating cash flows in the consolidated statement of cash flows.

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

(i) Summary of acquisition

On 16 April 2018, Helloworld Travel acquired 100% of the share capital of Flights Systems Pty Ltd, a provider of web-based flight booking technologies and operator of the skiddoo.com.au website. The acquisition of Flight Systems provided Helloworld Travel with sophisticated website and flight distribution technologies, that was incorporated into the Group's existing IT platforms, strengthening Helloworld Travel's business technology suite.

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

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

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

	Provisional at 30 June 2018 \$'000	Adjustments \$'000	Final at 30 June 2019 \$'000
Cash and cash equivalents	998	-	998
Trade and other receivables	910	306	1,216
Accrued revenue	70	-	70
Property, plant and equipment	5	-	5
Intangible assets - software	59	-	59
Intangible assets - technology assets	3,769	231	4,000
Deferred tax assets	148	556	704
Trade and other payables	(5,046)	(1,906)	(6,952)
Provisions	(370)	-	(370)
Deferred tax liabilities	(38)	(332)	(370)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	505	(1,145)	(640)
Goodwill resulting from the acquisition	895	1,145	2,040
FAIR VALUE OF NET ASSETS ACQUIRED	1,400	-	1,400

During the current year, Helloworld Travel finalised the acquisition accounting relating to the valuation of technology assets resulting in a fair value of \$4.0 million, an increase of \$0.2 million, which was separated out of provisional goodwill. Technology assets represents the value attributable on acquisition to the technology developed for the Skiddoo travel booking system and related flight distribution systems that enable customers to access travel related products via the Skiddoo website and software systems. The technology assets are amortised over a useful life of 10 years. In addition, Helloworld Travel recognised previously unrecorded liabilities that existed at the date of acquisition and finalised the pre acquisition Australian and international tax positions of the Flight System businesses.

The assets and liabilities of Flight Systems acquired by Helloworld Travel are recorded at fair value for accounting purposes, resulting in goodwill of \$2.0 million. The goodwill acquired primarily represents systems, processes and technical knowledge acquired, the future synergy opportunities from deploying the flight technology into other Helloworld Travel business areas, the experience of the Flight Systems management and the future profitability of the business. It will not be deductible for tax purposes. The goodwill has been allocated to the Australia retail distribution operations cash generating unit.

(ii) Purchase consideration – cash outflow

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

(iii) Revenue and profit before income tax expense contribution

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

If the date of the Flight Systems acquisition was 1 July 2017, the enlarged Group revenue and net profit before income tax expense for the year ended 30 June 2018 would have been \$329.2 million and \$43.9 million respectively. These results were based on the aggregation of Helloworld Travel's and Flight Systems' results.

(iv) Acquisition related costs

Acquisition related costs of \$0.2 million were incurred in the 2018 financial year and are included in other expenses in the consolidated statement of profit or loss and other comprehensive income and in operating cash flows in the consolidated statement of cash flows.

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

(i) Summary of acquisition

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

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

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

	Provisional at 30 June 2018 \$'000	Adjustments \$'000	Final at 30 June 2019 \$'000
Cash paid	2,000	(210)	1,790
Ordinary shares issued	888	-	888
Contingent consideration	2,520	(2,520)	-
PURCHASE CONSIDERATION	5,408	(2,730)	2,678

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

During the current year, Helloworld Travel received \$0.2 million in cash as a result of a post acquisition settlement adjustment of the original purchase price. The settlement adjustment reflected the level of working capital retained in the business at the date of acquisition, compared with the target level specified in the sale and purchase contract.

The total provisional purchase consideration in FY18 of \$5.4 million included a contingent consideration payable of \$2.5 million which was determined in accordance with the conditions of the sale and purchase contract. The contingent consideration was based on a multiple of Asia Escape Holiday's expected financial performance in FY19, in excess of an agreed benchmark. The contingent consideration was valued at the date of acquisition at \$2.5 million.

In the current year, Asia Escape Holidays overall FY19 performance did not result in any payment of contingent consideration as it was below the FY19 target level per the sale and purchase contract. Therefore, the contingent consideration was not payable on 1 July 2019 and has been reversed in the current year against provisional goodwill upon finalisation of the acquisition accounting.

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

	Provisional at 30 June 2018 \$'000	Adjustments \$'000	Final at 30 June 2019 \$'000
Cash and cash equivalents	3,262	-	3,262
Trade and other receivables	633	32	665
Derivative financial instruments	80	-	80
Property, plant and equipment	175	(11)	164
Intangible assets – agent network	-	500	500
Trade and other payables	(1,740)	(101)	(1,841)
Provisions	(157)	-	(157)
Deferred revenue	(2,088)	-	(2,088)
Income tax payable	(121)	9	(112)
Deferred tax liabilities	-	(150)	(150)
Non-controlling interest	(18)	8	(10)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	26	287	313
Goodwill resulting from the acquisition	5,382	(3,017)	2,365
FAIR VALUE OF NET ASSETS ACQUIRED	5,408	(2,730)	2,678

During the current year, Helloworld Travel finalised the acquisition accounting relating to assets and liabilities to reflect the reversal of contingent consideration and the identification and measurement of a separate intangible asset of agent network of \$0.5 million, which was separated out of provisional goodwill. Agent network represents the value attributable on acquisition to the relationship between Asia Escape Holidays and the travel agents that distribute Asia Escape Holidays travel products. The intangible asset is amortised over a useful life of 10 years.

The assets and liabilities of Asia Escape Holidays acquired by Helloworld Travel are recorded at fair value for accounting purposes, resulting in goodwill of \$2.4 million. The goodwill acquired primarily represents systems, processes and technical knowledge acquired, the enlarged product and service offering that Helloworld Travel can now provide to its customers, future synergy opportunities, the experience of the Asia Escape Holidays management and the future profitability of the business. It will not be deductible for tax purposes. The goodwill has been allocated to the Australian wholesale and inbound cash generating unit.

(ii) Purchase consideration – cash inflow

	30 June 2018 \$'000	30 June 2019 \$'000	Aggregate cash flow \$'000
Cash paid	(2,000)	210	(1,790)
Cash and cash equivalents acquired from controlled entities	3,262	-	3,262
NET INFLOW OF CASH – INVESTING ACTIVITIES	1,262	210	1,472

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

Helloworld Travel has a call option to buy the remaining 40.0% ownership interest in Asia Escape Holidays on 1 July 2022. In addition, the non-controlling minority interest holder has a put option to sell their 40.0% ownership interest to Helloworld Travel at the same point in time. Refer note 28: financial risk management for further details on the valuation of the option to purchase the 40.0% non-controlling interest.

(iv) Revenue and profit before income tax expense contribution

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

If the date of the Asia Escape Holidays acquisition was 1 July 2017, the enlarged Group revenue and net profit before income tax expense for the year ended 30 June 2018 would have been \$330.9 million and \$45.6 million respectively. These results were based on the aggregation of Helloworld Travel's and Asia Escape Holidays' results.

(v) Acquisition related costs

Acquisition related costs of \$0.1 million were incurred in the 2018 financial year and are included in other expenses in the consolidated statement of profit or loss and other comprehensive income and in operating cash flows in the consolidated statement of cash flows.

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

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

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

35. Business disposals

(a) Disposal of Insider Journeys businesses

On 30 June 2019, Helloworld Travel sold its Insider Journeys business to Eight at Work Holding Pty Ltd, a member of an international tour operation group with multiple destination management company (DMC) operations in South East Asia. As part of the sale, Helloworld Travel has:

- Disposed of its legal entities in Vietnam, Laos and the United Kingdom;
- Disposed of its assets and liabilities in the Cambodia branch operations; and
- Disposed of its Australia based Insider Journeys business that sells travel products into Asia.

Insider Journeys forms part of the Rest of World segment and there is no goodwill allocated to this segment or the Insider Journeys business. The Insider Journeys business was not considered core to Helloworld Travel's operations, nor its future business direction. The revenue in the current year from the Insider Journeys business was \$4.5 million (2018: \$5.9 million) and the loss before income tax expense was \$(0.7) million (2018: \$(0.5) million).

The financial summary of the consideration and resulting profit on disposal is outlined below:

	\$'000
Cash consideration	980
Settlement adjustment receivable	140
Contingent consideration receivable	1,233
TOTAL CONSIDERATION	2,353
Carrying amount of net assets sold	(180)
Disposal costs	(180)
PROFIT ON DISPOSAL OF INSIDER JOURNEYS BUSINESS	1,993

The financial summary of the FY19 cash flow impact resulting from the disposal is outlined below:

	\$'000
Cash consideration on sale	980
Cash and cash equivalents disposed within business	(523)
NET INFLOW OF CASH – INVESTING ACTIVITIES	457

The settlement adjustment receivable of \$0.1 million, reported within current trade and other receivables in the consolidated statement of financial position, relates to the excess working capital on 30 June 2019 compared with the target working capital outlined in the sale and purchase contract. The working capital adjustment is expected to be received in FY20.

The contingent consideration receivable of \$1.2 million is deferred and reported as a non current receivable on the consolidated statement of financial position. The contingent consideration is calculated based on a fixed percentage of eligible total transaction value expected by the new owners of the Insider Journeys business during the subsequent three year period commencing 1 July 2019.

The contingent consideration expected for each future year (FY20-FY22) will be calculated based on the eligible total transaction value achieved and invoiced quarterly, with settlement from the new owners on normal commercial terms. The contingent consideration is a financial asset measured through profit or loss and therefore any future remeasurement of the consideration is taken to the consolidated statement of profit or loss. Refer note 28: financial risk management for further details.

(b) Prior year disposal in HTG Australia Pty Ltd

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

The disposed net assets formed part of the total consideration of \$1.0 million for Helloworld Travel's equity accounted investment in HTG. Refer note 13: investments accounted for using the equity method for further details. The direct management of the Australian company owned stores was not considered core to Helloworld Travel's operations nor material to the consolidated results.

36. Share based payments

(a) Loan funded long term incentive plan (LTIP)

Background

The Board approved the adoption of the loan funded LTIP in FY17 with grants provided to key executives and senior leaders. The overall objectives of the loan funded LTIP is to lock in key leaders for an extended period of time, whilst at the same time, incentivising them to generate superior returns for the Group.

The key criteria for the loan funded LTIP are as follows:

- Loan funded LTIP allocations are limited to key executives and senior leaders reporting to the CEO or senior leaders who are considered critical to the ongoing success of the Group;
- The threshold performance criteria is directly linked to total shareholder return (TSR) and provides reward on successful marked improvement of Helloworld Travel's return to shareholders over the vesting period; and
- The executive or senior leader will also need to meet individual KPIs as determined by the CEO and Board over the vesting period.

Key attributes and valuation

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

	FY19 grants	FY18 grants		FY17 grant
Grant date	26 March 2019	1 April 2018	1 July 2017	1 July 2016
Vesting date	31 December 2020	31 December 2020	1 July 2020	1 July 2019
Number of shares issued	150,000	700,000	850,000	2,600,000
Issue and exercise price	\$4.67 per share	\$4.67 per share	\$3.81 per share	\$3.00 per share
50% vesting	\$5.50 share price	\$5.50 share price	\$5.50 share price	\$4.50 share price
100% vesting	\$6.50 share price	\$6.50 share price	\$6.50 share price	\$5.50 share price
Performance criteria	TSR and KPIs	TSR and KPIs	TSR and KPIs	TSR and KPIs

During the current year, a senior leader was granted 150,000 loan funded LTIP shares under the same terms and conditions as the 1 April 2018 grant of 700,000 shares. As a result, a total of 4,300,000 loan funded LTIP shares have been issued over the three year period since the inception of the program.

A loan is provided to the participant at grant date equal to the share value at the scheme commencement multiplied by the number of shares issued. The loan is repaid to the company after vesting conditions are met. The loan is non-recourse and interest free. A holding restriction is placed on the shares until the vesting date has been reached and the performance criteria have been assessed. Should the shares vest, they will be removed from the holding restriction. If the shares fail to vest, then the shares will be forfeited and the loan extinguished.

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

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

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

	FY19 grants	FY18 grants		FY17 grant
Grant date	26 March 2019	1 April 2018	1 July 2017	1 July 2016
Vesting date	31 December 2020	31 December 2020	1 July 2020	1 July 2019
Fair value of instrument	\$0.99	\$0.99	\$0.78	\$0.77
The fair value incorporates:				
Expected price volatility (i)	30% to 40%	30% to 40%	35% to 45%	35% to 45%
Expected dividend yield	3.40%	3.40%	3.75%	2.00%
Risk free interest rate	2.50%	2.50%	2.41%	1.78%

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

Financial summary

The movement in the number of shares held under the loan funded LTIP is summarised as follows:

Year ended 30 June 2019

Grant Date	Start of performance period	End of performance period	Exercise price (\$)	Number of shares under holding restriction				Vested and exercisable at the end of the year (iii)
				Opening balance	Granted (i)	Lapsed (ii)	Closing balance	
01-Jul-16	1-Jul-16	1-Jul-19	3.00	2,450,000	-	(250,000)	2,200,000	-
01-Jul-17	01-Jul-17	1-Jul-20	3.81	850,000	-	(500,000)	350,000	-
01-Apr-18	01-Apr-18	1-Jan-21	4.67	700,000	-	(150,000)	550,000	-
26-Mar-19	01-Apr-18	1-Jan-21	4.67	-	150,000	-	150,000	-
TOTAL				4,000,000	150,000	(900,000)	3,250,000	-

Year ended 30 June 2018

Grant Date	Start of performance period	End of performance period	Exercise price (\$)	Number of shares under holding restriction				Vested and exercisable at the end of the year (iii)
				Opening balance	Granted (i)	Lapsed (ii)	Closing balance	
01-Jul-16	1-Jul-16	1-Jul-19	3.00	2,600,000	-	(150,000)	2,450,000	-
01-Jul-17	01-Jul-17	1-Jul-20	3.81	-	850,000	-	850,000	-
01-Apr-18	01-Apr-18	1-Jan-21	4.67	-	700,000	-	700,000	-
TOTAL				2,600,000	1,550,000	(150,000)	4,000,000	-

(i) During the current year, 150,000 (2018: 1,550,000) shares were granted under the loan funded LTIP;

(ii) During the current year, 900,000 (2018: 150,000) shares lapsed and were subsequently disposed, reflecting the resignation of certain senior leaders;

(iii) No shares were vested or exercised during the current or prior year;

(iv) On 1 July 2019, 2,200,000 loan funded LTIP shares under the grant date of 1 July 2016 met their vesting conditions as determined by the Board, based on meeting TSR and individual KPI targets over the three year vesting period.

(b) Franchise loyalty shares

Background

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

At the vesting date, franchisees which have satisfied the required conditions of the scheme will be able to deal with their allocated shares without restriction. All franchise loyalty shares rank equally in all respects with existing shares from the date of their issue. Dividends on these shares are payable to the respective franchisee during the vesting period as declared by the Group.

Key attributes and valuation

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

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

During the current year, no shares were issued under the franchise loyalty plan. As a result, a total of 728,750 franchise loyalty shares have been issued over the three year period since the inception of the program.

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

Financial summary

The movement in the number of shares held under the franchise loyalty plan is summarised as follows:

Year ended 30 June 2019				Number of shares under holding restriction					
Grant Date	Start of performance period	End of performance period	Exercise price (\$)	Opening balance	Granted (i)	Lapsed (ii)	Vested (iii)	Closing balance	Vested and exercisable at the end of the year (iv)
20-Dec-16	20-Dec-16	31-Oct-18	0.00	647,750	-	(5,000)	(642,750)	-	-
24-Nov-17	24-Nov-17	31-Jul-19	0.00	30,000	-	-	-	30,000	-
1-Feb-18	1-Feb-18	31-Oct-18	0.00	32,750	-	-	(32,750)	-	-
TOTAL				710,500	-	(5,000)	(675,500)	30,000	-

Year ended 30 June 2018

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

(i) During the current year, nil (2018: 62,750) shares were granted under the franchise loyalty plan;

(ii) During the current year, 5,000 (2018: 18,250) shares lapsed and were subsequently sold on market, reflecting certain franchisees leaving the Helloworld Travel network;

(iii) During the current year, 675,500 (2018: nil) shares issued under the franchise loyalty plan with a grant date of 20 December 2016 and 1 February 2018 met their vesting conditions. As a result, the holding restrictions were removed. As at 30 June 2019, 30,000 (2018: 710,500) franchise loyalty shares remain with future vesting conditions to be met.

(iv) As at 30 June 2019, there were nil shares (2018: nil) that met vesting conditions, but were not yet exercised.

(c) Expenses arising from share based payment transactions

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

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Share based payment expense under loan funded LTIP	897	616
Share based payment expense under franchise loyalty plan	582	1,446
TOTAL SHARE BASED PAYMENTS EXPENSE	1,479	2,062

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

37. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years except for the following item:

Dividends

On 21 August 2019, the Group declared a 12.5 cents per share fully franked final dividend. The dividend is to be paid on 17 September 2019, with a record date of 2 September 2019. The final dividend is expected to amount to \$15.6 million based on the closing number of issued shares as at 30 June 2019 of 124,658,076. The dividend will be paid out of the 2019 financial year profits, but is not recognised as a liability as at 30 June 2019.

38. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Principles of consolidation

The consolidated financial statements comprise the financial statements of Helloworld Travel Limited and its subsidiaries (referred to in this financial report as the Group) as at 30 June 2019 and for the year then ended.

(i) Subsidiaries

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

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

(ii) Associates

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

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

When the Group's share of losses in an associate equal or exceed its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

The carrying amount of associates is tested for impairment in accordance with the policy described at note 38(m).

(iii) Changes in ownership interests

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

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

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

(b) Business combinations

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

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

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

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

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

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

Contingent consideration is classified as a financial liability and subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Unless the adjustment relates to additional information obtained within twelve months from the date of acquisition, about circumstances that existed at the acquisition date.

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

(c) Foreign currency translation

(i) Transactions and balances

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

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

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

(ii) Investments in foreign operations

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

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

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

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

(d) Revenue recognition

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

Revenue is recognised and measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, agent commissions and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's primary activities. The Group's key revenue streams are outlined below:

(i) Commissions

Commissions consist of at source commissions across the Group's businesses and override commissions for performance of volume based sales targets with specific airline and leisure partners. The Group acts in the capacity of an agent rather than principal with the facilitation of tour, travel and accommodation services as the Group's customer is a travel agent or supplier. As a result, commission revenue is recognised as the net amount of commission received or receivable by the Group. The revenue policy for the various types of commissions across the Group is outlined below:

At source commissions - retail and travel management businesses

The Group's retail and travel management businesses receive at source commission from suppliers for the arrangement of travel, tours and travel related products. Revenue is recognised at the point of time when tickets, itineraries or travel documents are issued (ticketed date) as this is when the performance obligation is met to the travel agent or supplier.

At source commissions - Wholesale & Inbound

The Group's wholesale business work with hotels, transportation providers (air, rail and cruise) and attractions to purchase individual travel components from them at agreed rates. Those components are packaged into marketable holiday travel packages and tours for the travel leisure market to local and overseas destinations. The commission revenue recognised is the margin received between the arranged purchase price of travel products and the retail price of the holiday package, net of commissions paid to travel agents. Revenue is recognised at the point of time when all

aspects of holiday packaged travel, including booking, ticketing and management amendments have been arranged (departure date), as this is when the performance obligation has been met to the travel agent or supplier.

The Group's Inbound business in Australia, New Zealand and Fiji receive at source commission for the arrangement of airline tickets, tours and travel. Revenue is recognised at the point of time when the traveller's tour or travel has commenced (departure date) as this is when the performance obligation has been met to the travel agent or supplier.

Other types of at source commissions

The Group also receives commissions from sales of travel related products such as insurance, foreign currency purchasing services and incentives from suppliers. These commissions are recognised as revenue at a point of time on an accrual basis when the performance obligation is met and the amount can be reliably measured.

Override commission revenue

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

The override commission revenue is recognised over a period of time using a tiered earning rate, based on eligible departed travel sales (for air and cruise) or on commencement of hotel stay (for land), for the contracted period as performance obligations involving target tier volumes are met with the suppliers over the life of the contract based on the departure date of the traveller. Each supplier has separate contractual agreements with the Group and the contractual rates, performance tiers and contract periods vary accordingly.

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

(ii) Transaction and service fees

The Group's travel management business charge customers a transaction fee when travel arrangements are booked through either the Group's online system or using a travel management consultant. Transaction fees are levied in accordance with their contractually agreed rates for the type of product booked. Transaction and service fees are recognised as revenue at the point of time when tickets are issued (ticketed date) as this is when the performance obligation is met to the consumer for the booking of travel arrangements and revenue can be measured reliably. Where amendments occur after the initial transaction, these are treated separately and additional transaction fees may be incurred.

(iii) Marketing related activities

The Group receives contributions from suppliers to compensate for the costs incurred in relation to the production of brochures, in relation to marketing campaigns and activities, and for travel conferences organised by the Group. Revenue is recognised at a point of time when the marketing related activity is undertaken as the performance obligation to the supplier has been met.

(iv) Other revenue from contracts with customers

Other revenue from contracts with customers consists of franchise fees generated across the rental distribution network, and transport and logistics revenue generated in the corporate business in Australia and the tourist transport business in Fiji. Franchise fees mainly consist of network fees and information technology service fees relating to services provided to the Group's retail network members. Network membership fees are recognised over a period of time on a straight line basis over the life of the contract and information technology service fees are recognised at a point in time when the services are undertaken. Revenue for transport and logistics services is recognised at a point of

time on a gross basis as the Group is acting as the principal in the delivery of the service and performance obligation to the customer.

(v) Other revenue

Other revenue consists primarily of rental income from the sub lease of surplus office space and the lease of one investment property, finance income earned from cash and term deposits and sundry income relating to all other ancillary income. Rental income is recognised over a period of time based on the term of the lease. Finance income and sundry income are recognised on an accrual basis at a point of time.

(e) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Interest income is earned on cash and term deposits and is recognised on an accrual basis in the statement of profit or loss.

Restricted cash relates to cash held within legal entities of Group that have local International Air Transport Association requirements as part of providing ticketing travel arrangements. Restricted cash includes monies paid to the Group by customers prior to being paid to product and service suppliers.

(f) Trade receivables

Trade receivables relate to contracts with customers and are recognised initially at the fair value of the amount of consideration that is unconditional. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method, less any loss allowance. Trade receivables are generally collected within 7 to 30 days from the date of invoice. They are presented as current assets unless collection is not expected within 12 months from the reporting date. Bad debts are written off as incurred. Non-current receivables are carried at the present value of future net cash inflows expected to be received.

Collectability of receivables (including accrued revenue) is reviewed on an ongoing basis at an operating business unit level. Individual debts that are known to be uncollectable are written off when identified. The Group applies the simplified approach to measuring expected credit losses which, uses a lifetime expected loss allowance for receivables. To measure the expected credit losses, receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates applied to receivables at 30 June are based on historical loss rates adjusted to reflect current and forward looking market factors.

The loss allowance is recognised in profit or loss within operating expenses. Subsequent recoveries of amounts previously written off are recognised within operating expenses in profit or loss.

(g) Accrued revenue

Accrued revenue relates to amounts owed to the Group at balance sheet date that have not yet been invoiced to the customer or received as cash from the customer. The Group's accrued revenue mainly relates to the estimate of conditional override commission revenue earned during the respective customer contract period but not yet invoiced at balance date. In addition, accrued revenue includes other unconditional commission revenue earned, but not yet invoiced from the passage of time.

(h) Prepayments

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

(i) Investment property

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

The measurement of fair value of investment property reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing the investment property under current market conditions.

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

(j) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes any expenditure that is directly attributable to the acquisition of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

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

- Land and buildings 40 years
- Equipment including motor vehicles 2.5 to 10 years
- Leasehold improvements 5 to 10 years

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

(k) Intangible assets

(i) Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets and the goodwill measurement policy is outlined in note 38(b). Goodwill is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(ii) Other intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (where applicable). The useful lives of intangible assets are assessed to be either finite or indefinite.

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

- Agent network relating to Asia Escape Holidays 10 years
- Commercial agreements 5 to 12 years
- Brand names and trademarks 7 to 20 years
- Technology assets 2.5 to 10 years

Amounts paid for the development of software and website intangible assets are capitalised only when it is probable the future economic benefits of the project will flow to the Group. Costs capitalised include external direct costs of materials and service, and direct payroll and payroll related costs of employees' time spent on the project.

Intangible assets with finite lives are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at each financial year end.

Retail distribution systems and the AOT agent network asset are considered indefinite life intangible assets. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually on an individual basis. The indefinite life assumption of an intangible asset is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is applied prospectively.

(l) Investment and other financial assets

Financial assets measured at amortised cost and fair value through OCI are initially measured at fair value plus directly attributable transaction costs. Financial assets measured at fair value through profit or loss are initially measured at fair value.

Investments and other financial assets are classified, at initial recognition, and subsequently into the following measurement categories, financial assets at amortised cost, fair value through profit or loss or fair value through OCI. The initial and subsequent classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

- Amortised cost – relates to assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Assets are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
- Fair value through profit or loss – relates to assets that are not held for collection of contractual cash flows nor held to sell at a future date. As a result, the assets that do not meet the criteria for amortised cost or fair value through OCI are subsequently measured at fair value. Gains and losses are recognised net in the profit or loss in the period in which they arise.
- Fair value through OCI – relates to assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and held to sell at a future date. Assets are subsequently measured at fair value with movements in the carrying amount recognised in other comprehensive income, except for impairment, interest income and foreign exchange gains or losses which are recognised in the profit or loss. When a financial asset is derecognised, the gain or loss is reclassified from equity to the profit or loss.

Purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(m) Impairment of non financial assets

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

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

(n) Trade and other payables

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

Trade and other payables are unsecured and are normally settled within 7 to 30 day payment terms from the date of invoice. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at their amortised cost.

(o) Leases

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

Leases in which substantially all the risks and benefits incidental to ownership of the leased items are transferred to the Group are classified as finance leases. The Group currently has not entered any finance leases.

(p) Employee benefits

(i) Short term employee benefits

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

(ii) Long term employee benefits

The liability for long service leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. It is therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. The fair value of long term employee benefits is determined using the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds that match, as closely as possible, the estimated future cash outflows. Remeasurement from experience adjustments and changes in assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share based payments

Share based compensation benefits are provided in the form of loan funded share instruments (long term incentive plan) to employees and a deferred share scheme (franchise loyalty plan) to franchisees. Information relating to these schemes is set out in note 36: share based payments.

The fair value of the share based payments for the loan funded LTIP and the franchise loyalty plan are recognised as an employee benefits expense or operating cost respectively with a corresponding increase in equity in the share based payment reserve. The total amount to be expensed is determined by reference to the fair value of the instrument granted as follows:

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

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to the original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the instrument vests, the Company releases the holding restrictions on the appropriate amount of shares for the employee or franchisee. The proceeds received (if any) net of any directly attributable transactions costs are recognised directly to equity.

(iv) Defined contribution plans

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

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits from an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(q) Provisions

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

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

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

(r) Deferred revenue

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

At the end of each financial year, the amount recorded on the balance sheet consists of monies that Helloworld Travel will pay its suppliers for the purchase of travel products in the next financial year and the revenue commission that will be earned in the future. The revenue commission from these transactions will be released to the profit or loss in the next financial year in accordance with the revenue recognition policy outlined in note 38(d).

(s) Financial liabilities (redemption liability)

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

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

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(u) Derivatives and hedging activities

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

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

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

Cash flow hedges

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

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

(v) Income tax

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

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

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

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 when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(i) Tax consolidation legislation

Helloworld Travel Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Helloworld Travel Limited, and its 100% wholly-owned subsidiaries in the Australian income tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the Australian income tax consolidated group continues to be a standalone taxpayer.

In addition to its own current and deferred tax amounts, Helloworld Travel Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Australian income tax consolidated group where applicable.

(ii) Nature of tax funding arrangements and tax sharing agreements

Helloworld Travel Limited, in conjunction with the other 100% wholly owned subsidiary members of the Australian income tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the Australian income tax consolidated group in respect of the Group's tax liability. The tax funding arrangements require

payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any deferred tax asset relating to tax loss be assumed by the head entity, resulting in the head entity recognising an intercompany receivable/(payable) equal in amount to the tax liability/(asset) assumed. The intercompany receivable/(payable) is at call.

The amounts receivable/payable under the tax funding arrangement are due upon receipt of the funding advice from the head tax entity, which is issued as soon as practicable after the end of each financial year. The head tax entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising from the tax funding agreement with Helloworld Travel are recognised as a current amount receivable or payable to Helloworld Travel. Any difference in the amounts assumed and the amount receivable or payable to Helloworld Travel, are shown as a contribution to, (or distribution from) the head tax entity Helloworld Travel in the results of the individual legal entities.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangements and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with the other members of the Australian income tax consolidated group, has also entered into a tax sharing arrangement which provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement, as payment of any amounts by subsidiary members under the tax sharing agreement is considered remote.

(iii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable, or payable to, the taxation authority.

(w) Issued capital

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

(x) Earnings per share (EPS)

Basic EPS amounts are calculated by dividing net profit/loss for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS adjusts the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(y) Parent entity financial information

The financial information for the legal parent entity, Helloworld Travel Limited is disclosed in note 32: parent entity information and has been prepared on the same basis as described in the Group policies, except as set out below.

- investment in subsidiaries and associates are accounted for at cost; and
- where Helloworld Travel Limited has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of investment.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The consolidated financial statements and notes that are set out on pages 54 to 138 and the Remuneration report in the Directors' Report set out on pages 10 to 53, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), other mandatory professional reporting requirements and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) At the date of this declaration there are reasonable grounds to believe that the Company and the Group entities identified in note 31 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee described in note 33 between the Company and those Group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.



Garry Hounsell

Chairman, Helloworld Travel Limited
Melbourne, 21 August 2019



Independent auditor's report

To the members of Helloworld Travel Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Helloworld Travel Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

<i>Materiality</i>	<i>Audit scope</i>
- For the purpose of our audit we used overall Group materiality of \$2.7 million, which represents approximately 5% of the Group's profit before tax. - We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. - We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. - We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. - The Group predominately operates across Australia and New Zealand, with operations in Fiji, the United States of America and other locations. - Under review and supervision, a component audit team in New Zealand assisted the Group audit engagement. - In relation to the component auditor, we decided on the level of judgement required from us to be able to conclude whether sufficient appropriate audit evidence has been obtained. Our involvement included written instructions to and reporting from the component auditor, discussions with the component auditor to understand their audit approach and clarifying findings and further discussions with component management, where required.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Carrying value of goodwill</i> (Refer to note 15) The Group has a goodwill balance of \$167.6m which represents approximately 22% of the total assets of the Group. The Group's goodwill is recognised in four Cash Generating Units (CGU) – Australia Retail Distribution Operations (\$34.6m), Australia Wholesale & Inbound (\$95.2m), New Zealand (\$12.8m) and Australian Travel Management (\$25.0m). There is one additional CGU, Rest of World, which has no goodwill allocated as at 30 June 2019. For the year ended 30 June 2019, the Group performed impairment assessments over the goodwill balance by: - Calculating the 'Value in Use' for each CGU using a discounted cash flow model (the models). - Comparing the 'Value in Use' of each CGU to their	We compared the Group's net assets at 30 June 2019 to its market capitalisation and noted headroom. To evaluate the impairment assessment, and the process by which the forecast cash flows were developed we: - Performed testing over the mathematical accuracy of the value-in-use impairment models. - Assessed the allocation of assets, liabilities and cash flows to each CGU to test whether they were directly attributable to the individual CGUs. - Compared the forecasted cash flows for 2020 used in the impairment assessment with the FY2020 Helloworld Travel budget.



Key audit matter

respective carrying value to determine the need for any impairment.

The impairment models included cash flows for each CGU for a forecast 5 year period. A terminal growth rate was applied in determining the terminal value.

The assessment by the Group did not identify a need for impairment.

We considered the carrying value of goodwill to be a key audit matter as the balance is material and there is significant judgement involved in assessing impairment, particularly with respect to determining in the models appropriate:

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

How our audit addressed the key audit matter

- Assessed the cash flow forecasts for each CGU in the models by considering the key factors and underlying drivers for growth in the context of the Group's future plans.
- Considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in the prior year to the actual performance of each CGU in the current year.
- Compared the terminal growth rate to historical growth rates and economic forecasts.

With the assistance of our internal valuation experts, we assessed the discount rates used in the impairment assessment by comparing them to market data, comparable companies and industry research.

Sensitivity analysis was performed for each CGU by reducing the cash flow growth rates and terminal growth rates, and increasing the discount rates within a reasonably foreseeable range.

We considered the disclosures made in note 15, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Carrying value of Retail Distribution systems and Agent Network (Refer to note 15)

The Retail Distribution Systems (\$104.4m) and Agent Network (\$8.3m) are indefinite life intangible assets, allocated to specific cashflows within Australia Retail Distribution Operations and Australia Wholesale & Inbound segments respectively. These are the integrated system of methods, procedures, techniques and other practises which, together with a network of franchisees and agents facilitate the day to day running of the businesses.

For the year ended 30 June 2019 the Group performed impairment assessments at these individual asset levels by:

1. Calculating the recoverable amount based on an excess earnings calculation.
2. Comparing the recoverable amount with the carrying value of the asset.

The assessment by the Group did not identify a need for impairment.

We considered the carrying value of the Retail Distribution systems and Agent network to be a key audit matter as the balances are material and there is significant judgement involved in assessing impairment, particularly with respect to determining appropriate:

To evaluate the cash flow forecasts and the process by which they were developed we:

- Assessed the allocation of cash flows to each impairment assessment and found them to be directly attributable to the individual intangible assets.
- Compared the forecasted cash flows for 2020 used in the impairment assessments with the FY2020 Helloworld Travel budget.
- Assessed the cash flow forecasts for each model by considering the key factors and underlying drivers for growth in the context of the Group's future plans.
- Considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in the prior year to the actual performance of each respective system in the current year.
- Compared the terminal growth rate to historical growth rates and economic forecasts.

With the assistance of our internal valuation experts, we assessed the discount rate used in the impairment assessment by comparing it to market data, comparable



Key audit matter

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

How our audit addressed the key audit matter

companies and industry research.

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

We considered the disclosures made in note 15, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Estimation of override commission revenue (Refer to note 1 (c) (iii) and note 38 (d) (i))

The Group generates revenue through various streams, including override commission revenue. The Group estimates override commission revenue generated by airlines and leisure partners. The commission revenue accrual process is inherently judgemental and is impacted significantly by factors which are not completely under the control of the Group.

These factors include:

- A significant portion of commission contract periods do not correspond to the Group's financial year end. Judgement is required to determine anticipated future travel revenues over the remaining contract year and associated commission rates;
- The differing commencement dates of the override commission contracts mean that commissions may have to be estimated for contracts for which the applicable override commission rates have not been finalised and agreed between the parties; and
- Periodic renegotiation of terms and contractual arrangements with the suppliers of travel products may result in additional volume/incentives, rebates or other bonuses being received which relate to past performance.

Override commission revenue is calculated for the contract period based on the value of 'Eligible Travel' during the period and the corresponding commission rate in each of the supplier contracts. These 'Override Rates' are often a tiered override earning rate based on differing levels of Eligible Travel.

In order to estimate the appropriate Override Rate, the expected Eligible Travel sales for the contract period are estimated and compared to the performance tiers. These forecasts are based on actual sales, forecast bookings and historical trends.

We evaluated the Group's estimates and judgements in determining revenue recognised in relation to override commission revenue, with particular focus on judgements made at year end with regard to accrued revenue.

For override commission revenue that is cash settled during the period our testing included the following, performed on a sample basis:

- Traced override commission revenue to cash receipts.
- Obtained a copy of the supplier contracts and reconciled the eligible revenue and commission rates to override commission revenue calculations.

Override commission revenue outstanding at year end within accrued revenue is the key area subject to estimation. The testing procedures performed over this balance included the following performed on a sampling basis:

- Obtained a copy of the contracts outlining the eligible revenue and commission rates, and compared this to the rates used in the calculations.
- Obtained the most recent travel provider statement confirming eligible travel and reconciled this to the calculations.
- Agreed the underlying revenue data used in the override commission revenue calculations to third party booking information.
- Assessed the accuracy of future estimates through evaluating the forecast Group sales of the third party's products compared to historical actuals.

Key audit matter

In some instances judgement may be required if a performance tier is close to being achieved or missed.

We considered this to be a key audit matter due to the significance of the override revenue to the Group's financial statements and the level of judgement involved in the calculation.

How our audit addressed the key audit matter

- Compared the actual override commission received in the current financial year relating to the prior period accrual estimation to test the accuracy of past estimates.

Acquisition activity

(Refer to note 15 and 34)

The Group has undertaken a number of acquisitions and commercial arrangements during the period.

The accounting for these transactions was a key audit matter because they result in significant financial and operational impacts for the Group. In addition, the Group made complex judgements when accounting for these, including:

- Identifying whether they had obtained control.
- Considering whether the Group acquired assets or a business.
- Assessing the Group's ability to influence the entities financial and operating policies and hence whether they should be included in the Group financial report through consolidation or equity accounting.
- Identifying all assets and liabilities of the acquired business and estimating the fair value of each asset and liability for initial recognition by the Group, particularly identifiable intangible assets. To varying degrees, the Group was assisted by external valuation experts in this process.
- Estimating the purchase consideration, particularly in respect of contingent consideration payable and put option liabilities on the achievement of certain future operational performance targets.
- Identifying whether consideration paid relates to the recipients' role as a shareholder or employee and the associated accounting treatment of the consideration.

We evaluated the Group's estimates and judgements in determining the appropriate accounting, with particular focus on judgements that resulted in impacts to the Group's profitability. Our procedures included for selected acquisitions, but were not limited to:

- Evaluating the Group's accounting for each acquisition against the requirements of Australian Accounting Standards. This included evaluating key transaction agreements, minutes of the board of directors meetings, due diligence reporting, legal correspondence and developing our understanding of the business acquired.
- Assessing the fair values of the acquired assets and liabilities recognised, including:
 - Considering key growth assumptions used in the models that estimated fair value in light of historical performance and industry forecasts.
 - Considering the valuation methodology in the models in light of the requirements of Australian Accounting Standards.
 - Assessing the competence and capability of management's expert, where applicable.
- Considering the adequacy of the disclosures in light of the requirements of Australian Accounting Standards

In relation to the valuation of the contingent consideration and put option liabilities, our procedures included, amongst others:

- Assessing if the calculation was in accordance with the contractual arrangements and the requirements of Australian Accounting Standards.
- Assessing the Group's evaluation as to whether the conditions required for the contingent consideration to be paid, or the put option exercised, were likely to be met in the future based



Key audit matter

How our audit addressed the key audit matter

upon actual performance since acquisition, current Group forecasts and market forecasts.

- Assessing the governance over the Group's forecasting process.
- Assessing the Group's forecasting accuracy by comparing past forecasts with actual performance and developing an understanding of variances.

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 accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 34 to 43 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Helloworld Travel Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Andrew Cronin'.

Andrew Cronin
Partner

Melbourne
21 August 2019

ASX ADDITIONAL INFORMATION

Additional information required by ASX and not shown elsewhere in this report is as follows. The information is current as at 31 July 2019.

(a) Distribution of equity securities

SHARE RANGE	Number of holders	Number of shares	%
1 - 1,000	1,854	936,284	0.75
1,001 - 5,000	1,217	2,968,581	2.38
5,001 - 10,000	209	1,570,468	1.26
10,001 - 100,000	172	5,034,354	4.04
100,001 and over	49	114,211,155	91.57
TOTAL	3,501	124,720,842	100.00

All issued ordinary shares carry one vote per share and carry the right to dividends. The number of holders holding a less than marketable parcel of ordinary shares based on the market price as at 31 July 2019 was 145 holders holding 5,969 shares.

(b) Twenty largest holders of quoted equity securities

The names of the 20 largest registered holders of quoted shares are:

ORDINARY SHAREHOLDERS	Number of shares	%
SINTACK PTY LTD	22,068,997	17.69
Q H TOURS LTD	19,223,454	15.41
THE BURNES GROUP PTY LTD	18,540,105	14.87
MR ANDREW JAMES BURNES	10,460,531	8.39
MRS CINZIA BURNES	10,138,014	8.13
NATIONAL NOMINEES PTY LIMITED	7,958,862	6.38
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,612,206	5.30
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,902,830	4.73
CITICORP NOMINEES PTY LIMITED	2,283,429	1.83
BNP PARIBAS NOMS PTY LTD (DRP)	2,227,990	1.79
JOHN WILLIAM ARMOUR	1,050,000	0.84
TREVOR EDWARD JONES & SONIA LEE JONES	610,608	0.49
BNP PARIBAS NOMINEES PTY LTD (IOOF INVMT MNGT)	500,000	0.40
MR JOHN CONSTABLE	500,000	0.40
ANDREW SYDNEY JONES & KAREN LISA JONES	500,000	0.40
MICHAEL BURNETT	500,000	0.40
CS THIRD NOMINEES PTY LIMITED	437,387	0.35
JAMEA INVESTMENTS PTY LTD	369,708	0.30
CROWNACE PTY LTD	250,000	0.20
MAPLESTONE PTY LTD	226,597	0.18
	110,360,718	88.48

(c) Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

SUBSTANTIAL SHAREHOLDER	Number of shares	%
SINTACK PTY LTD	22,068,997	17.69
QH TOURS LTD	19,223,454	15.41
THE BURNES GROUP PTY LTD	18,540,105	14.87
MR ANDREW JAMES BURNES	10,460,531	8.39
MRS CINZIA BURNES	10,138,014	8.13





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