



webjet limited

Webjet Limited

ABN 68 002 013 612

Annual report for the financial year ended 30 June 2014

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Corporate Information

Registered Office	Share Registry
Level 2 509 St Kilda Road Melbourne Vic 3004 Phone: (03) 9820 9214 Email: webjet@webjet.com.au	Computershare Investor Services Pty Ltd Level 5 115 Grenfell Street Adelaide SA 5000 Phone: (08) 8236 2300

Principal Administrative Office	Company Secretary
Level 2 509 St Kilda Road Melbourne Vic 3004	Michael Sheehy Level 2 509 St Kilda Road Melbourne Vic 3004

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

Principal bankers	Internet Address
National Australia Bank Level 30, 500 Bourke Street Melbourne Vic 3000	www.webjet.com.au

Directors' report

The directors of Webjet Limited submit herewith the annual financial report of the company and controlled entities (the Consolidated Entity) for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

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

Name	Experience
David Clarke (Non-Executive Chairman)	Held senior management positions with the Jetset travel Consolidated Entity from 1977 to 1995. He is regarded as pioneering the introduction of wholesale packaging through distribution access in Australia and overseas, the development of an integrated franchise structure and one of the highest ranking travel brands in Australia in the 1990's. David was Managing Director of Webjet from 1999 to January 2011.
John Guscic BEc, MBA (Managing Director)	Former Chief Commercial Officer of GTA (a Travelport company). He has been instrumental in identifying and shaping new business ventures; forging strong, strategic relationships and managing both multinational and local customer retention and growth. Prior to Travelport, he founded his own successful strategic consultancy advising internet start-ups. Prior to his appointment as MD in February 2011, John has been a director of Webjet since 2006.
Don Clarke LLB (Hons) (Non-Executive Deputy Chairman)	Is a partner in the law firm Minter Ellison and has had extensive commercial experience. He has been associated with Webjet in his capacity as a senior legal advisor for over 10 years.
Allan Nahum FCA, FICD, AAISA (Non-Executive Director)	Former partner in the Melbourne based accounting and consulting firm HLB Mann Judd, with extensive experience in the profession as a business consultant. He has worked in the travel industry as an Auditor and Consultant for over 39 years.
Steven Scheuer BBus (Acc), CPA (Non-Executive Director)	After spending a number of years in public accounting practice, he established his own manufacturing and importing business using strong and well known clothing brand labels throughout Australia and New Zealand.
Roger Sharp BA LLB (Non-Executive Director)	Has 25 years' experience in investing, financing and advising in global markets. Roger has held a series of regional and global positions in the finance and technology sectors. Based in Singapore, he is the Chairman and Managing Director of Co-investor Group. He currently serves as Chairman of several companies including Asia Pacific Digital Limited.
Brad Holman BCom (Non-Executive Director)	Has over 20 years' experience working in and providing services to the travel industry, including President for Travelport's Asia Pacific, Europe, Middle East and African operations. Currently holds the role of President-International Business Unit for Blackbaud, a publicly listed US technology company. Brad was appointed 19 March 2014.

Directors' shareholdings

The following table sets out each director's relevant interest in shares and options in the company as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number
David Clarke	9,000	-
John Guscic	109,169	6,000,000
Don Clarke	10,000	-
Allan Nahum	94,500	-
Steven Scheuer	4,476,254	-
Roger Sharp	90,000	-
Brad Holman	-	-

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report of this directors' report, on page 6.

Company secretary

Michael Sheehy BEcon ACA, was appointed to the joint position of Company Secretary and CFO on 26 November 2013. Prior to joining Webjet for four years he was the company secretary of Probuild Constructions Pty Limited, the largest division of South African listed company WBHO Limited.

Principal activities

The principal activity of the Consolidated Entity is the provision of online travel booking services.

Review of Operations

The year ended 30 June 2014 has produced a profit before tax of \$21.1 million (2013: \$11.4 million) and net profit after tax of \$19.1 million (2013: \$6.5 million). During the year the company has experienced a growth in total transaction values of \$83 million from \$884 million to \$967 million.

	30 June 2014 \$'M	30 June 2013 \$'M	30 June 2012 \$'M	30 June 2011 \$'M	30 June 2010 \$'M
Total transaction values	997	884	768	592	504
Total number of flight bookings ('000)	1,078	1,062	1,053	902	798
Net profit before tax	21.1	11.4	19.3	15.4	14.5
Net profit after tax	19.1	6.5	13.6	11.0	10.5
Operating cash flow	3.4	24.5	17.7	14.7	14.1

Webjet completed the re-engineering of the Zuji operating platform in December 2013, which transitioned the Zuji sites in Australia, Singapore and Hong Kong onto Webjet's latest Cloud based booking application, along with its associated links to its preferred Global Distribution System and provider of air content, Travelport, resulting in the broadest and most comprehensive air content available in the region. As part of these changes, the Zuji service centre operations have been integrated into the Webjet high quality control service centres, which will provide the foundation for a closely monitored, high calibre service delivery. Furthermore, the service offering has been expanded to 24 x 7 for all functions.

Contributing \$0.5m profit for the six-month to 30 June 2014 (2013: loss \$2.2m), Webjet's Dubai based B2B FY13 start-up Lots of Hotels achieved full year profit breakeven.

Cash and equivalents was \$51.8m at 30 June 2014 (2013: \$66.8m). Client funds included in cash and equivalents were \$18.8m (2013: \$29.0m). At 30 June 2013, the recently acquired Zuji business operated on the Travelocity bookings platform. During the year Zuji was successfully migrated onto the Webjet bookings platform, and with Travelocity trading accounts no longer required, there was a \$23.0m reduction in trade and other payables \$43.3m (2013: \$66.3m).

Changes in state of affairs

On 23 December 2013 Webjet sold 35% of the equity in Webjet Marketing North America LLC to the existing American partners, leaving a 15% ownership in the entity. Further information can be found in note 27.

On 6 June 2014 Webjet announced a material extension of its Australian business with the launch of Webjet Exclusives. Webjet Exclusives offers directly-contracted travel products including hotels, resorts, land and air packages, tours and cruises.

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

Future developments

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

Subsequent events

Webjet entered into a binding Heads of Agreement to acquire the SunHotels Group with effect from 1 July 2014. SunHotels, established in 2002, is a substantial online hotel provider with a turnover in excess of €90 million (approximately AUD \$130m) and specialises in the provisioning of a wide range of hotels and transfers in European resort destinations selling into the major markets of Scandinavia and the UK. As such this acquisition will form an important cornerstone platform for the immediate extension of product sourcing and distribution opportunities underpinned by more than 6,000 directly contracted hotels in the existing portfolio leveraged against a fully owned and scalable technology platform which has been operational for over five years.

SunHotels has an impressive history and has been consistently profitable over the past 8 years, including an EBITDA of €2.6million (approximately AUD\$3.75 million) in calendar year 2013 with earnings in 2014 tracking significantly higher. Webjet is delighted the existing experienced management team is fully committed and enthusiastic about the growth opportunities now available under Webjet's ownership.

The purchase price is payable in cash and is based on an agreed value of €21 million subject to various settlement adjustments relating to working capital and other matters and will be 100% funded through a euro denominated set finance facility. Webjet will acquire 100% of the entities and has moved into a position of management oversight and Board representation.

It is expected that following final audit, the satisfaction of various commercial conditions and the completion of due diligence, formal completion will occur at the end of August 2014.

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

Dividends

The final dividend for the year ended 30 June 2013 of \$0.07 per share fully franked to 100% was paid on 17 October 2013. The total payment was \$5.56 million. An interim dividend for the year ended 30 June 2014 of \$0.0625 per share fully franked totaling \$4.96 million was paid on 11 April 2014. A final dividend of \$0.0725 per share, fully franked to 100% has been declared by the directors for payment on 17 October 2014 totaling \$5.76 million.

Shares under option or issued on exercise of options

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

Options series	Grant date	No of options	Exercise price	Expiry date	Grant date fair value	Vesting date
John Guscic – Tranche 2(a)	19/10/2011	500,000	\$3.10	30/06/2016	\$0.20	01/09/2013
John Guscic – Tranche 2(b)	19/10/2011	500,000	\$3.10	30/06/2016	\$0.20	01/09/2013
John Guscic – Tranche 3(a)	19/10/2011	500,000	\$3.80	30/06/2017	\$0.22	01/09/2014
John Guscic – Tranche 3(b)	19/10/2011	500,000	\$3.80	30/06/2017	\$0.22	01/09/2014
John Guscic – Tranche 1 (c)	13/11/2013	1,000,000	\$5.00	30/06/2018	\$0.14	30/06/2015
John Guscic – Tranche 2 (c)	13/11/2013	1,000,000	\$5.50	30/06/2019	\$0.16	30/06/2016
John Guscic – Tranche 3 (c)	13/11/2013	1,000,000	\$6.00	30/06/2020	\$0.21	30/06/2017

- Tranche 2 – Vested on 1/09/2013 upon achievement of the board determined budget for 2013. Tranche 3 – vests on 1/09/2014 if Company achieves board determined budget for 2014. John Guscic is also required to be an employee at the time of exercise of the options.
- Tranche 2 – Vested on 1/09/2013 upon remaining in employment at 30 June 2013. Tranche 3 – Vests on 1/09/2014 if remains in employment at 30 June 2014.
- Tranche 1 – Vests on 30/06/2015 if remains in employment at 30 June 2015. Tranche 2 – Vests on 30/06/2016 if remains in employment at 30 June 2016. Tranche 3 – Vests on 30/06/2017 if remains in employment at 30 June 2017.

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

No shares or interests have been issued during or since the end of the financial year as a result of the exercise of options.

Indemnification of officers and auditors

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

To the extent permitted by law, the company has agreed to indemnify each of its officers and the officers of its related bodies corporate against any liability incurred as such an officer.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 12 Board meetings, 4 Nomination and Remuneration Committee meetings, 4 Audit Committee meetings and 3 Risk Management Committee meetings were held.

Directors	Board of directors		Nomination and Remuneration Committee		Audit Committee		Risk Management Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
David Clarke	12	12	4	4	-	-	3	3
John Guscic	12	12	-	-	-	-	-	-
Don Clarke	12	12	4	4	-	-	3	3
Allan Nahum	12	10	2	2	4	4	-	-
Steven Scheuer	12	12	-	-	4	4	-	-
Roger Sharp	12	12	-	-	3	3	-	-
Brad Holman	4	4	-	-	-	-	-	-

Non-audit services

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

Auditor's independence declaration

The auditor's independence declaration has been received and is included on page 14 of the annual report.

Rounding off of amounts

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

Remuneration report - audited

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Webjet Limited's directors and its senior management for the financial year ended 30 June 2014. The term 'key management personnel' refers to those having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Consolidated Entity.

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

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

Key management personnel

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

- David Clarke (Non-Executive Chairman)
- John Guscic BEc, MBA (Managing Director)
- Don Clarke LLB (Hon) (Non-Executive Deputy Chairman)
- Allan Nahum FCA, FICD, AAISA, (Non-Executive Director)
- Steven Scheuer BBus (Acc) (Non-Executive Director)
- Roger Sharp BA LLB (Non-Executive Director)
- Brad Holman BCom (Non-Executive Director) – Appointed 19 March 2014
- Shelley Beasley BA (Comm), GradDipBusIntStrLship – (Chief Operating Officer)
- Robert Turner BCom ACA (Chief Financial Officer) – Resigned 23 August 2013
- Michael Sheehy BEcon ACA (Chief Financial Officer and Company Secretary) – Appointed 26 November 2013

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

Remuneration Policy

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

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

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

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

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

Relationship between the remuneration policy and company performance

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

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

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

	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Revenue	98,644	74,772	57,719	43,548	38,877
Net profit before tax	21,079	11,443	19,297	15,386	14,508
Net profit after tax	19,127	6,484	13,613	11,006	10,517

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Share price at start of year	\$4.45	\$3.38	\$2.00	\$1.88	\$1.30
Share price at end of year	\$2.42	\$4.45	\$3.38	\$2.00	\$1.88
Interim dividend ¹	6.25cps	6.0cps	6.0cps	5.0cps	5.0cps
Final dividend ¹	7.25cps	7.0cps	7.0cps	6.0cps	5.5cps
Basic earnings per share	24.24	8.74	18.81	14.41	13.93
Diluted earnings per share	24.18	8.66	18.79	14.33	13.76

¹ Franked to 100% at corporate income tax rate

Remuneration of key management personnel

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

2014	Short-term incentives		Post-employment benefits	Share-based payment	Total
	Salary & fees \$	Bonus \$	Superannuation \$	Options & rights \$	
Non-executive directors					
David Clarke	167,200	-	32,800	-	200,000
Don Clarke	82,569	-	7,638	-	90,207
Allan Nahum	40,000	-	35,000	-	75,000
Steven Scheuer	45,766	-	4,234	-	50,000
Roger Sharp	80,000	-	-	-	80,000
Brad Holman	17,077	-	1,580	-	18,657
Executive officers					
John Guscic	676,084	-	25,000	283,127 ¹	984,211
Shelley Beasley	370,355	-	11,111	-	381,466
Robert Turner	43,292	-	4,005	-	47,297
Michael Sheehy	223,613	-	20,684	-	244,297
					2,171,135

2013	Short-term incentives		Post-employment benefits	Share-based payment	Total
	Salary & fees \$	Bonus \$	Superannuation \$	Options & rights \$	
Non-executive directors					
David Clarke	243,000	-	24,000	-	267,000
Don Clarke	96,331	-	8,670	-	105,001
Allan Nahum	62,500	-	25,000	-	87,500
Chris Newman	25,780	-	2,320	-	28,100
Steven Scheuer	37,676	-	3,391	-	41,067
Roger Sharp	40,000	-	-	-	40,000
Executive officers					
John Guscic	574,999	340,000	25,000	214,639 ¹	1,154,638
Richard Noon	195,249	-	20,500	-	215,749
Shelley Beasley	350,000	115,750	11,543	-	477,293
Robert Turner	235,897	80,000	23,589	-	339,486
					2,755,834

¹ The ongoing share based payment expense is performance related. The share-based payments make up 28.8% (2013: 18.5%) of John Guscic's total salary.

Bonuses

For the key management personnel the bonus plan is based upon the Consolidated Entity achieving the Board approved budget for the full year. As the budget was not achieved no bonuses vested with the executives for the year ended 30 June 2014 and therefore all bonuses were forfeited. None of these bonuses are able to be carried forward to future periods.

Service and employment agreements of key executives

The following table sets out the key elements of the senior executive service agreements.

	Agreement Date	Term (Years)	Notice Period	Termination Payment	Base Salary (Inc Superannuation) \$	Salary at Risk \$	Possible Total \$
J Guscic	1 February 2014	3.4	12 Months	12 months in lieu of notice	750,000	650,000	1,400,000
S Beasley	21 March 2011	rolling	6 Months	6 months in lieu of notice	381,466	92,589	474,055
M Sheehy	25 November 2013	rolling	3 Months	3 months in lieu of notice	310,000	46,500	356,500

Value of options to key management personnel

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

Options series	Grant date	No of options	Exercise price	Expiry date	Grant date fair value per option	Grant date fair value of options*	Vesting date
John Guscic – Tranche 1 (a)	13/11/2013	1,000,000	\$5.00	30/06/2018	\$0.14	\$139,891	30/06/2015
John Guscic – Tranche 2 (a)	13/11/2013	1,000,000	\$5.50	30/06/2019	\$0.16	\$157,756	30/06/2016
John Guscic – Tranche 3 (a)	13/11/2013	1,000,000	\$6.00	30/06/2020	\$0.21	\$211,222	30/06/2017

(a) Tranche 1 – Vests on 30/06/2015 if remains in employment at 30 June 2015. Tranche 2 – Vests on 30/06/2016 if remains in employment at 30 June 2016. Tranche 3 – Vests on 30/06/2017 if remains in employment at 30 June 2017.

* The value of options granted during the year differs to the expense recognized as part of each key management person's remuneration because this value is the grant date fair value calculated in accordance with AASB 2 *Share-based Payment*.

Key management personnel remuneration philosophy

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

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

Remuneration Committee

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

Senior Management and Executive Director Remuneration

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

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

Remuneration consists of the following key elements:

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

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

Non-executive director remuneration

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

Fixed remuneration

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

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

Variable remuneration

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

Key management and directors equity holdings

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

Fully paid ordinary shares of Webjet Limited

	Balance at 30 June 2013 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2014 No.
2014					
David Clarke	5,000	-	-	4,000	9,000
John Guscic	109,169	-	-	-	109,169
Don Clarke	10,000	-	-	-	10,000
Allan Nahum	134,084	-	-	(39,584)	94,500
Steven Scheuer	4,326,254	-	-	150,000	4,476,254
Roger Sharp	-	-	-	90,000	90,000
Brad Holman	-	-	-	-	-
Shelley Beasley	100,516	-	-	-	100,516
Michael Sheehy	-	-	-	-	-

Share options of Webjet Limited

	Balance at 30 June 2013 No.	Granted as compensation No.	Exercised No.	Net other change No.	Bal at 30 June 2014 No.	Bal vested at 30 June 2014 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
2014									
John Guscic	3,000,000	3,000,000	-	-	6,000,000	2,000,000	-	2,000,000	1,000,000

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

No share options were exercised during the current or prior financial year.

Transactions with key management personnel

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

Transactions with other related parties

Minter Ellison Lawyers of which Don Clarke is a principal was paid a total \$426,469 (2013: \$1,374,058) during the year. All transactions were conducted on a commercial arm's length basis and charged accordingly. An amount of \$1,217 was owed as at 30 June 2014 (2013: \$124,445) to Minter Ellison Lawyers.

PT. AbdiTeknologiInformasi (ATI) of which Brad Holman is a director was paid a total of \$37,255 (2013: \$8,116) during the year. All transactions were conducted on a commercial arm's length basis and charged accordingly. No amount was outstanding as at 30 June 2014 (2013: nil) to PT. AbdiTeknologiInformasi.

End of audited Remuneration Report

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

On behalf of the directors



.....
David Clarke (Chairman)

19 August 2014

Corporate governance statement

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

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

Board Responsibilities

The Board's key responsibilities are:

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

Structure of Board

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

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

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

Code of Conduct

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

Risk Committee

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

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

Responsibilities include :

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

Where appropriate, liaise with the Audit Committee and :

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

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

Audit Committee

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

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

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

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

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

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

Nomination and Remuneration Committee Charter

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

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

The Nomination and Remuneration Committee is responsible for:

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

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

Disclosure

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

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

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

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

Performance and Remuneration

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

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

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

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

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

Diversity

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

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

Webjet is committed to achieving the goals of:

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

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

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

As lead auditor of Webjet Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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



Michael Haydon
Director

BDO Audit (SA) Pty Ltd

Adelaide, 18 August 2014

Directors' Declaration

The directors of the Company declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;
- (c) The remuneration disclosures included in pages 6 to 10 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2014, comply with section 300A of the Corporations Act 2001;
- (d) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 and Corporations Regulations 2001, including compliance with accounting standards and giving a true and fair view of the financial position as at 30 June 2014 and performance of the Consolidated Entity for the year ended on that date; and
- (e) The directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors



.....
David Clarke (Chairman)

19 August 2014

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**Consolidated income statement
for the financial year ended 30 June 2014**

		Consolidated	
Note	2014 \$'000	2013 \$'000	
Revenue	6	95,188	72,864
Investment income	7	887	1,327
Other gains and losses	8	3,456	1,908
		99,531	76,099
Share of losses of associates	29	(48)	(58)
Employee benefits expenses		(21,116)	(16,931)
Depreciation and amortisation expenses		(2,801)	(2,000)
Marketing expenses		(20,827)	(17,798)
Operating costs		(22,375)	(16,675)
Option expenses		(283)	(215)
Technology expenses		(5,084)	(5,407)
Administrative expenses		(1,684)	(1,295)
Finance costs		(264)	(102)
Directors' fees		(473)	(533)
Other expenses		(3,497)	(3,642)
Profit before tax		21,079	11,443
Income tax expense	9	(1,952)	(4,959)
PROFIT FOR THE YEAR		19,127	6,484
Profit/(loss) attributable to:			
Owners of the Company		19,248	6,587
Non-controlling interests		(121)	(103)
		19,127	6,484
Earnings per share			
Basic (cents per share)	23	24.24	8.74
Diluted (cents per share)		24.18	8.66

Notes to the financial statements are included on pages 22 to 53

Consolidated statement of comprehensive income for the financial year ended 30 June 2014

	Consolidated	
	2014 \$'000	2013 \$'000
Profit for the year	19,127	6,484
Other comprehensive income, net of income tax nil		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in fair value of available-for-sale financial assets	55	-
Exchange differences on translating foreign operations	(507)	1,692
Other comprehensive income for the year, net of income tax nil	(452)	1,692
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	18,675	8,176
Total comprehensive income attributable to:		
Owners of the Company	18,796	8,298
Non-controlling interests	(121)	(122)
	18,675	8,176

Notes to the financial statements are included on pages 22 to 53

Consolidated balance sheet as at 30 June 2014

		Consolidated	
Note	2014 \$'000	2013 \$'000	
Current assets			
Cash and bank balances	30	51,792	66,812
Trade and other receivables	11	20,308	17,026
Current tax asset	9	1,881	-
Other assets	13	4,131	5,010
Total current assets		78,112	88,848
Non-current assets			
Investments in associates	29	175	-
Other financial assets	12	255	200
Property, plant and equipment	14	3,047	1,570
Deferred tax assets	9	4,800	4,624
Intangible assets	15	42,829	42,214
Total non-current assets		51,106	48,608
Total assets		129,218	137,456
Current liabilities			
Trade and other payables	16	43,266	66,275
Other financial liabilities	17	416	20
Current tax liabilities	9	1,544	1,904
Provisions	18	2,175	4,070
Other liabilities	19	1,712	954
Total current liabilities		49,113	73,223
Non-current liabilities			
Deferred tax liabilities	9	2,970	3,233
Provisions	18	288	257
Other liabilities	19	7,563	-
Total non-current liabilities		10,821	3,490
Total liabilities		59,934	76,713
Net assets		69,284	60,743
Equity			
Issued capital	20	40,179	40,179
Reserves	21	1,818	1,987
Retained earnings	22	27,287	18,645
Equity attributable to owners of the Company		69,284	60,811
Non-controlling interests		-	(68)
Total equity		69,284	60,743

Notes to the financial statements are included on pages 22 to 53

**Consolidated statement of changes in equity
for the financial year ended 30 June 2014**

	Share capital \$'000	Available for sale revaluation reserve \$'000	Equity-settled employee benefits reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total attributable to owners of the parent \$'000	Non- controlling interests \$'000	Total \$'000
Balance at 1 July 2012	11,042	-	250	(189)	21,796	32,899	54	32,953
Profit for the year	-	-	-	-	6,587	6,587	(103)	6,484
Other comprehensive income for the year, net of income tax	-	-	-	1,711	-	1,711	(19)	1,692
Total comprehensive income for the year	-	-	-	1,711	6,587	8,298	(122)	8,176
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction costs and tax	29,137	-	-	-	-	29,137	-	29,137
Recognition of share based payments	-	-	215	-	-	215	-	215
Payment of dividends	-	-	-	-	(9,738)	(9,738)	-	(9,738)
Sub-total	29,137	-	215	1,711	(3,151)	27,912	(122)	27,790
Balance at 30 June 2013	40,179	-	465	1,522	18,645	60,811	(68)	60,743
Balance at 1 July 2013	40,179	-	465	1,522	18,645	60,811	(68)	60,743
Profit for the year	-	-	-	-	19,248	19,248	(121)	19,127
Other comprehensive income for the year, net of income tax	-	55	-	(507)	-	(452)	-	(452)
Total comprehensive income for the year	-	55	-	(507)	19,248	18,796	(121)	18,675
Transactions with owners in their capacity as owners								
Difference arising on disposal of interest in a subsidiary	-	-	-	-	(86)	(86)	189	103
Recognition of share based payments	-	-	283	-	-	283	-	283
Payment of dividends	-	-	-	-	(10,520)	(10,520)	-	(10,520)
Sub-total	-	55	283	(507)	8,642	8,473	68	8,541
Balance at 30 June 2014	40,179	55	748	1,015	27,287	69,284	-	69,284

Notes to the financial statements are included on pages 22 to 53

Consolidated statement of cash flows for the financial year ended 30 June 2014

		Consolidated	
		2014	2013
		\$'000	\$'000
	Note		
Cash flows from operating activities			
Receipts from customers		103,638	64,331
Payments to suppliers and employees		(95,253)	(34,069)
Cash generated from operations		8,385	30,262
Interest received		787	1,292
Interest and other costs of finance paid		(264)	-
Transaction costs related to acquisition of subsidiary		-	(1,456)
Income taxes paid		(5,548)	(5,561)
Net cash generated by / (used in) operating activities	30	3,360	24,537
Cash flows from investing activities			
Payments for property, plant and equipment	14	(2,418)	(1,376)
Payments for intangible assets	15	(3,117)	(4,185)
Payment for acquisition of subsidiary, net of cash acquired		(2,208)	(4,667)
Dividends received		100	35
Net cash generated by / (used in) investing activities		(7,643)	(10,193)
Cash flows from financing activities			
Proceeds from issue of shares		-	29,995
Payment for issue transaction costs		-	(1,201)
Dividends paid to company's shareholders		(10,520)	(9,738)
Net cash generated by / (used in) financing activities		(10,520)	19,056
Net increase/(decrease) in cash and cash equivalents		(14,803)	33,400
Cash and cash equivalents at the beginning of the financial year		66,812	33,761
Effects of exchange rate changes on the balance of cash held in foreign currencies		(217)	(349)
Cash and cash equivalents at the end of the financial year	30	51,792	66,812

Notes to the financial statements are included on pages 22 to 53

1. General information

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

Statement of compliance

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

Basis of preparation

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

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

2. Application of new and revised Accounting Standards

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

New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Standards and Interpretations in issue not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments'	1-Jan-18	30-Jun-19
AASB 2012-3 Offsetting financial instruments	1-Jan-14	30-Jun-15
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1-Jan-14	30-Jun-15
Interpretation 21 Accounting for levies	1-Jan-14	30-Jun-15
AASB 2014-1 'Amendments to Australian Accounting Standards – Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles'	1-Jul-14	30-Jun-15
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1-Jan-18	30-Jun-19
IFRS 15 – 'Revenue from Contracts with Customers'	1-Jan-17	30-Jun-18

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

3. Significant accounting policies

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

(a) Basis of consolidation

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

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

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

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

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

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

(b) Business combinations

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

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

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

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

3. Significant accounting policies (cont'd)

(b) Business combinations (cont'd)

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 or AASB 137 (as appropriate), with the corresponding gain or loss recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB 3.

(c) Investments in associates

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

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

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

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

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

(d) Segment reporting

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

(e) Foreign currency

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

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

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

3. Significant accounting policies (cont'd)

(e) Foreign currency (cont'd)

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

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

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

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

(f) Goods and services tax

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

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

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

(g) Revenue

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

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

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

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

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

(h) Share-based payments

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

3. Significant accounting policies (cont'd)

(i) Income tax

Current tax

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

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the period

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

Tax consolidation

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

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

(j) Cash and cash equivalents

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

3. Significant accounting policies (cont'd)

(k) Financial assets

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

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

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

Effective interest method

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

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

Available-for-sale financial assets

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

3. Significant accounting policies (cont'd)

(l) Property, plant and equipment

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

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

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

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

(m) Amortisation

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

(n) Leased assets

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

Consolidated Entity as lessee

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

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

(o) Intangible assets

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

Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 15).

Internally generated intangible assets – research and development expenditure

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

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

3. Significant accounting policies (cont'd)

(o) Intangible assets (cont'd)

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

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

(p) Impairment of Tangible and Intangible Assets other than Goodwill

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

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

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

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

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

(q) Employee benefits

Short-term employee benefit obligations

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

Other long-term employee benefit obligations

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

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

(r) Contributed equity

Ordinary shares are classified as equity.

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

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

3. Significant accounting policies (cont'd)

(r) **Contributed equity (cont'd)**

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(s) **Payables**

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

(t) **Provisions**

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

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

Onerous contracts

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

Restructuring

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

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

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

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

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

Other financial liabilities

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

(i) *Key Estimates - Impairment*

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

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

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

5. Segment information

(a) Description of segments

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

The segments previously reported reflect a group structure that is no longer relevant to the decision making process of the Managing Director following the various corporate activities conducted throughout the financial year as described in the Directors' Report. The previously reported geographic based segments are no longer relevant or appropriate due to the interdependence between the Consolidated Entity's activities and their usage of assets and subsequent generation of revenues. The Managing Director considers that all members of the group provide the same service, being Travel Bookings. However due to developments in the Consolidated Entity's operations there are now two distinct classes of customer; consumers and business. The reportable segments of the Consolidated Entity are now considered to be – Business to Consumer Travel (B2C Travel) and Business to Business Travel (B2B Travel).

(b) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the year ended 30 June 2014 and 30 June 2013 is as follows:

	2014			2013		
	B2C Travel \$'000	B2B Travel \$'000	Total \$'000	B2C Travel \$'000	B2B Travel \$'000	Total \$'000
Revenues from external customers	91,545	3,643	95,188	72,540	324	72,864
Interest Revenue	787	-	787	1,292	-	1,292
Depreciation and amortisation	(2,606)	(195)	(2,801)	(1,982)	(18)	(2,000)
Losses of associates	(48)	-	(48)	(58)	-	(58)
Profit/(loss) before tax	21,492	(413)	21,079	13,612	(2,169)	11,443
Income tax expense	(1,952)	-	(1,952)	(4,959)	-	(4,959)
Profit/(loss) after tax	19,540	(413)	19,127	8,653	(2,169)	6,484
Segment assets	116,164	13,054	129,218	131,875	5,581	137,456
Segment liabilities	44,297	15,637	59,934	68,963	7,750	76,713
Acquisitions of non-current assets ¹	5,089	662	5,751	32,417	326	32,743

¹ Non-current assets excluding financial assets and deferred tax assets.

5. Segment information (cont'd)

(a) Description of segments (cont'd)

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

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

(b) Other segment information

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

	Revenue		Non-Current Assets ¹	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Australia	69,248	66,933	40,602	39,630
All other countries	25,940	5,931	5,449	4,154
	95,188	72,864	46,051	43,784

¹ Non-current assets excluding financial assets and deferred tax assets.

6. Revenue

An analysis of the Consolidated Entity's revenue for the year is as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
Revenue from travel bookings	95,188	72,864

7. Investment income

	Consolidated	
	2014 \$'000	2013 \$'000
Interest income:		
Bank deposits	787	1,292
Dividend from equity investments	100	35
	887	1,327

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

	Consolidated	
	2014 \$'000	2013 \$'000
Available-for-sale financial assets	100	35
Loans and receivables (including cash and bank balances)	787	1,292
	887	1,327

8. Other gains and losses

	Consolidated	
	2014 \$'000	2013 \$'000
Net foreign exchange gains/(losses)	-	208
Gain on part sale of subsidiary	1,400	-
Other income	2,056	1,700
	3,456	1,908

No other gains or losses have been recognised in respect of loans and receivables or held-to-maturity investments, other than disclosed in notes 10 and 11 and impairment losses recognised/reversed in respect of trade receivables.

9. Income taxes

(a) Income tax expense

	Consolidated	
	2014 \$'000	2013 \$'000
Current tax	2,759	5,362
Deferred tax	(439)	(703)
Adjustments for current tax of prior periods	(368)	300
Total income tax expense recognised in the current year	1,952	4,959

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

	Consolidated	
	2014 \$'000	2013 \$'000
Profit before income tax	21,079	11,443
Income tax expense calculated at 30% (2012: 30%)	6,323	3,433
Effect of overseas associates expenses not deductible	-	17
Effect of overseas subsidiaries expenses not deductible	(22)	742
Effect of previously unrecognized overseas tax losses not recognized as deferred tax assets	(1,505)	-
Effect of income/expenses that are not assessable/deductible in determining taxable profit	(474)	430
Effect of utilised franking credits	13	5
Effect of R&D tax incentives	-	(361)
Effect of deferred tax expense relating to the origination and reversal of temporary differences	(121)	-
Utilisation of tax losses	(1,029)	-
Differences for current tax of prior periods	(368)	300
Difference in overseas tax rates	(865)	393
	1,952	4,959

The tax rate used for the 2014 and 2013 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Current tax assets and liabilities

	Consolidated	
	2014 \$'000	2013 \$'000
Current tax assets		
Income tax refundable	1,881	-
Current tax liabilities		
Income tax payable	1,544	1,904

9. Income taxes (cont'd)

Deferred tax balances

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

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

2013	Consolidated					
	Opening balance \$'000	Under/over provision \$'000	Recognised in profit or loss \$'000	Recognised in comprehensive income \$'000	Recognised directly in equity \$'000	Closing balance \$'000
Deferred tax liability						
Interest receivable	(28)	-	(21)	-	-	(49)
Other assets	(16)	-	10	-	-	(6)
Unrealised foreign exchange gain/losses	-	-	(206)	-	-	(206)
Intangibles	(2,531)	-	(441)	-	-	(2,972)
	(2,575)	-	(658)	-	-	(3,233)
Deferred tax asset						
Financial assets	26	-	(26)	-	-	-
Associates	17	-	(17)	-	-	-
Allowance for doubtful debts	25	-	16	-	-	41
Sundry expense accruals	267	-	652	-	-	919
Provisions	175	-	745	-	-	920
Expenses deductible over 5 years	50	-	(83)	-	343	310
Intangibles	-	-	68	-	-	68
Capital allowance	2,042	-	(87)	-	-	1,955
	2,602	-	1,268	-	343	4,213
Unused tax losses and credits	435	(117)	93	-	-	411
	3,037	(117)	1,361	-	343	4,624

9. Income taxes (cont'd)

Tax consolidation

Relevance of tax consolidation to the Consolidated Entity

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

Nature of tax funding arrangements and tax sharing agreements

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

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

10. Profit for the year

Profit before income tax includes the following specific expenses:

	Consolidated	
	2014 \$'000	2013 \$'000
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	870	681
Amortisation of intangible assets	1,931	1,319
	2,801	2,000
Research and development costs expensed as incurred	1,767	1,868
Employee benefits expense		
Defined contribution superannuation expense	1,313	949
Other employee benefits	19,803	15,982
	21,116	16,931
Restructuring costs	-	3,935
Operating lease expense	1,347	886
Net foreign exchange (gains)/losses	645	-

11. Trade and other receivables

	Consolidated	
	2014 \$'000	2013 \$'000
Trade receivables	20,274	17,006
Allowance for doubtful debts	-	(144)
Other	34	164
	20,308	17,026

The average credit period for trade receivables is 30 to 90 days. An amount only becomes due on completion of the contract period which may be up to 12 months. Management is prudent in its provisions against these receivables but do not believe any balances are impaired in the current reporting period. Trade receivables are non-interest bearing.

Trade receivables that are neither past due nor impaired relate to long standing business partners with good track record.

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

	Consolidated	
	2014 \$'000	2013 \$'000
Up to 3 months	-	1,944
3 – 6 months	-	184
Total	-	2,128

Movement in the allowance for doubtful debts:

	Consolidated	
	2014 \$'000	2013 \$'000
Balance at the beginning of the year	144	80
Impairment losses recognised on receivables acquired in business combination	-	144
Impairment losses reversed	(144)	(80)
Balance at the end of the year	-	144

12. Other financial assets

	Consolidated	
	2014 \$'000	2013 \$'000
Available-for-sale investments carried at fair value:		
<i>Non-current</i>		
Shares in unlisted companies (i)	255	200

(i) The Consolidated Entity holds 20% of the ordinary share capital of Taguchi Marketing Pty Ltd, a company involved in email marketing and distribution activities. The directors of the Consolidated Entity do not consider that the Consolidated Entity is able to exert significant influence over Taguchi Marketing Pty Ltd as the day-to-day running of the business is not under the influence of the Consolidated Entity.

13. Other assets

	Consolidated	
	2014 \$'000	2013 \$'000
<i>Current</i>		
Prepayments	1,432	1,326
Other	2,699	3,684
	4,131	5,010

14. Property, plant and equipment

	Consolidated						Total \$'000
	Software at cost \$'000	Computer Equipment at cost \$'000	Furniture & Fittings at cost \$'000	Office Equipment at cost \$'000	Leasehold Improvements at cost \$'000	Work In Progress \$'000	
Gross carrying amount							
Balance at 30 June 2012	733	1,180	125	144	382	-	2,564
Additions	454	287	148	63	227	197	1,376
Acquisition through business combination	18	3	-	-	4	-	25
Transfer to intangibles	(122)	-	-	-	-	-	(122)
Net foreign currency exchange differences	-	3	1	-	-	-	4
Balance at 30 June 2013	1,083	1,473	274	207	613	197	3,847
Additions	1,114	333	1	495	475	-	2,418
Transfers	-	-	-	-	197	(197)	-
Disposals	-	(63)	(1)	-	(4)	-	(68)
Derecognition of subsidiary	-	(36)	(3)	(3)	-	-	(42)
Net foreign currency exchange differences	-	(10)	(5)	(2)	(9)	-	(26)
Balance at 30 June 2014	2,197	1,697	266	697	1,272	-	6,129
Accumulated depreciation/ amortisation and impairment							
Balance at 30 June 2012	(363)	(947)	(67)	(57)	(161)	-	(1,595)
Depreciation expense	(209)	(198)	(21)	(20)	(233)	-	(681)
Net foreign currency exchange differences	-	(1)	-	-	-	-	(1)
Balance at 30 June 2013	(572)	(1,146)	(88)	(77)	(394)	-	(2,277)
Depreciation expense	(363)	(269)	(29)	(75)	(134)	-	(870)
Disposals	-	63	-	-	4	-	67
Derecognition of subsidiary	-	20	-	-	-	-	20
Net foreign currency exchange differences	(18)	(14)	6	2	2	-	(22)
Balance at 30 June 2014	(953)	(1,346)	(111)	(150)	(522)	-	(3,082)
Carrying amounts							
As at 30 June 2013	511	327	186	130	219	197	1,570
As at 30 June 2014	1,244	351	155	547	749	-	3,047

15. Intangible assets

	Consolidated				Total \$'000
	Capitalised development \$'000	Trademarks \$'000	Other identifiable intangibles \$'000	Goodwill \$'000	
Balance at 30 June 2012	10,509	-	719	-	11,228
Additions	2,666	107	1,412	-	4,185
Acquisition through business combination	-	6,107	-	21,050	27,157
Transfer from property, plant and equipment	122	-	-	-	122
Effect of foreign currency exchange differences	-	868	68	798	1,734
Balance at 30 June 2013	13,297	7,082	2,199	21,848	44,426
Additions	2,807	57	253	-	3,117
Derecognition of a subsidiary	-	-	(308)	-	(308)
Effect of foreign currency exchange differences	(26)	(134)	(10)	(119)	(290)
Balance at 30 June 2014	16,078	7,005	2,133	21,729	46,945
Accumulated amortisation and impairment					
Balance at 30 June 2012	(616)	-	(247)	-	(863)
Amortisation expense	(1,157)	-	(162)	-	(1,319)
Effect of foreign currency exchange differences	-	-	(30)	-	(30)
Balance at 30 June 2013	(1,773)	-	(439)	-	(2,212)
Amortisation expense	(1,488)	-	(443)	-	(1,931)
Derecognition of a subsidiary	-	-	195	-	195
Impairment expense	-	-	-	(190)	(190)
Effect of foreign currency exchange differences	13	-	9	-	22
Balance at 30 June 2014	(3,249)	-	(677)	(190)	(4,116)
Carrying amount					
As at 30 June 2013	11,524	7,082	1,760	21,848	42,214
As at 30 June 2014	12,829	7,005	1,456	21,539	42,829

i) Capitalised development

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

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

ii) Trademarks

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

iii) Other identifiable intangibles

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

Other intangible assets all have a finite life and are assessed individually in determining useful life for amortisation. The useful lives of these assets range from 3 - 5 years.

iv) Goodwill

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

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

15. Intangible assets (cont'd)

(a) Impairment tests for goodwill

Goodwill is monitored by management at the operating segment level. Management has identified the reportable segments to be Business to Consumer Travel (B2C Travel) and Business to Business Travel (B2B Travel).

The segment-level summary of the carrying amount of goodwill and trademarks acquired from business combinations is shown below:

	Consolidated			
	2014 B2C Travel \$'000	2014 B2B Travel \$'000	2013 B2C Travel \$'000	2013 B2B Travel \$'000
Carrying amount of goodwill	21,539	-	21,848	-
Carrying amount of trademarks	7,005	-	7,082	-
	28,544	-	28,930	-

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

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

Management's key assumptions used in the value-in-use calculation are a gross margin of 20%, a growth rate beyond budget period of 3% and a discount rate of 13.7%. Management determined the budgeted gross margin based on past performance and expectations for the future. The growth rate used does not exceed long-term average growth rates for the B2C Travel industry. The discount rate used reflects externally sourced inputs and specific risks relating to the B2C Travel segment and the countries in which it operates. Reasonably possible changes to these assumptions would not have an impact on the recoverable amount.

16. Trade and other payables

	Consolidated	
	2014 \$'000	2013 \$'000
Trade payables	33,925	37,527
Other	9,341	28,748
	43,266	66,275

The credit period on trade payables ranges from 7 to 60 days. No interest is payable on trade payables.

17. Other financial liabilities

	Consolidated	
	2014 \$'000	2013 \$'000
Lease incentive liability	416	20
	416	20

18. Provisions

	Consolidated	
	2014 \$'000	2013 \$'000
<i>Current</i>		
Employee benefits (i)	1,180	769
Restructuring costs (ii)	-	2,037
Onerous contract (iii)	-	762
Gift vouchers (iv)	774	-
Make-good provision (v)	76	467
Other	145	35
	2,175	4,070
<i>Non-current</i>		
Employee benefits	41	57
Make-good provision (iv)	247	200
	288	257
	2,463	4,327

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

	Employee benefits \$'000	Restructuring costs \$'000	Onerous contract \$'000	Make-good provision \$'000	Gift vouchers provision \$'000	Other \$'000
Carrying amount at start of year	826	2,037	762	667	-	35
Additional provision charged to profit or loss	1,145	-	-	48	774	145
Unused amounts reversed	-	-	-	-	-	-
Amounts used during the year	(750)	(2,037)	(762)	(391)	-	(35)
Carrying amount at end of year	1,221	-	-	323	774	145

19. Other liabilities

	Consolidated	
	2014 \$'000	2013 \$'000
<i>Current</i>		
Deferred revenue (i)	1,712	954
<i>Non-current</i>		
Deferred revenue (i)	7,563	-
	9,275	954

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

20. Issued capital

	Consolidated	
	2014 \$'000	2013 \$'000
79,397,959 fully paid ordinary shares (2013: 79,397,959)	40,179	40,179
	40,179	40,179

	2014		2013	
	No. '000	\$'000	No. '000	\$'000
Fully paid ordinary shares				
Balance at beginning of financial year	79,398	40,179	71,066	11,042
Issue of shares under placement (i)	-	-	6,944	25,000
Issue of shares under share purchase plan (ii)	-	-	1,388	4,995
Transaction costs arising on share issues	-	-	-	(1,201)
Deferred tax credit recognised directly in equity	-	-	-	343
Balance at end of financial year	79,398	40,179	79,398	40,179

(i) On 20 December 2012, Webjet Ltd completed an issue of 6,944,445 shares to various sophisticated, professional and institutional investors at a price of \$3.60 to fund its acquisition of the Zuji Group as announced on 12 December 2012.

(ii) On 25 January 2013, Webjet Ltd completed an issue of 1,387,585 shares to existing shareholders at a price of \$3.60 to fund its acquisition of the Zuji Group as announced on 12 December 2012.

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

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. The shares bought back in the prior year were cancelled. Further details of the employee share option plan are contained in note 33 to the financial statements.

21. Reserves

	Consolidated	
	2014 \$'000	2013 \$'000
Available-for-sale revaluation reserve	55	-
Equity-settled employee benefits	748	465
Foreign currency translation	1,015	1,522
	1,818	1,987

Equity-settled employee benefits reserve

Balance at beginning of financial year	465	250
Options expensed	283	215
Balance at end of financial year	748	465

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

	Consolidated	
	2014 \$'000	2013 \$'000
Foreign currency translation reserve		
Balance at beginning of financial year	1,522	(189)
Exchange differences arising on translating the net assets of foreign operations	(507)	1,711
Balance at end of financial year	1,015	1,522

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

22. Retained earnings

	Consolidated	
	2014 \$'000	2013 \$'000
Balance at beginning of financial year	18,645	21,796
Profit attributable to owner of the Company	19,248	6,587
Difference arising on disposal of interest in a subsidiary	(86)	-
Payment of dividends	(10,520)	(9,738)
Balance at end of financial year	27,287	18,645

23. Earnings per share

	Consolidated	
	2014 Cents per share	2013 Cents per share
Basic earnings per share		
From continuing operations	24.24	8.74
Total basic earnings per share	24.24	8.74
Diluted earnings per share		
From continuing operations	24.18	8.66
Total diluted earnings per share	24.18	8.66

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2014 \$'000	2013 \$'000
Profit for the year attributable to owners of the Company	19,248	6,587
Earnings used in the calculation of basic EPS	19,248	6,587

Weighted average number of ordinary shares for the purposes of basic earnings per share

	2014 No.'000	2013 No.'000
	79,398	75,335

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is as follows:

	2014 \$'000	2013 \$'000
Profit for the year attributable to owners of the Company	19,248	6,587
Earnings used in the calculation of diluted EPS	19,248	6,587

Weighted average number of ordinary shares used in the calculation of basic EPS

Shares deemed to be issued for no consideration in respect of:

	2014 No.'000	2013 No.'000
	79,398	75,335
Employee options	208	759
Weighted average number of ordinary shares used in the calculation of diluted EPS	79,606	76,094

24. Dividends on equity instruments

	2014		2013	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
<i>Fully paid ordinary shares</i>				
Interim dividend for current year:	6.25	4,962	6.0	4,764
Final dividend for prior year:	7.0	5,558	7.0	4,975
	13.25	10,520	13.0	9,739
Unrecognised amounts				
<i>Fully paid ordinary shares</i>				
Final dividend for current year:	7.25	5,756	7.0	5,558

The directors have declared a fully franked final dividend of 7.25 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2014, to be paid to shareholders on 17 October 2014. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$5.76m.

	Consolidated	
	2014 \$'000	2013 \$'000
Adjusted franking account balance	7,281	5,640
Impact on franking account balance of dividends not recognised	(2,467)	(2,382)
	4,814	3,258

The balance of the adjusted franking account includes:

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

25. Contingent liabilities and contingent assets

At reporting date, the Consolidated Entity had a bank guarantee facility of \$14.0m (2013: \$14.0m).

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

26. Operating lease arrangements

(a) Leasing commitments

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

Commitments for minimum leases payments in relation to non-cancellable operating leases are as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
Not longer than 1 year	1,048	807
Longer than 1 year and not longer than 5 years	2,349	2,429
Longer than 5 years	-	-
	3,397	3,236

(b) Capital commitments

It has been determined that the group has no capital commitments at the end of the financial year.

27. Subsidiaries

Name of subsidiary	Country of incorporation	Proportion of owners interest and voting power held by the Consolidated Entity	
		2014 %	2013 %
Webjet Marketing Pty Ltd	Australia	100	100
Webjet Operations (Australia) Pty Ltd	Australia	100	100
PlanitonEarth Pty Ltd	Australia	100	100
Zuji Pty Ltd	Australia	100	100
Webjet USA Holdings Inc	United States of America	100	100
Webjet Marketing North America LLC (i)	United States of America	15	50
Webjet Marketing NZ Pty Limited	New Zealand	100	100
Webjet Hotels NZ Pty Ltd	New Zealand	100	100
Lots of Hotels Limited (Previously Webjet UK Limited)	United Kingdom	100	100
Webjet International Ltd (Previously Webjet Hotels Limited)	Hong Kong	100	100
Lots of Hotels LLC	Dubai	100	100
Zuji Pte Ltd	Singapore	100	100
Zuji Ltd	Hong Kong	100	100
Zuji Travel Pte Ltd	Singapore	100	100
Zuji Properties A.V.V.	Aruba	100	100
Westweb Holdings Limited	British Virgin Islands	100	100
Webjet Singapore Limited	Singapore	100	100
Webjet Hong Kong Limited	Hong Kong	100	100

Webjet Limited is the head entity within the tax-consolidated group. The fully-owned Australian subsidiaries above are all part of the tax-consolidated group.

- (i) On 31 December 2013, Webjet USA Holdings LLC (a subsidiary of Webjet Limited) sold a 35% shareholding in Webjet Marketing North America LLC. The sale reduced the shareholding in Webjet Marketing North America LLC from 50% to 15% resulting in a loss of control. Therefore from 31 December 2013 it is no longer accounted for as a subsidiary, it is now accounted for as an associate.

The gain recorded in relation to this sale in the year ended 30 June 2014 was \$1,400k, the portion of this gain that was attributable to measuring the retained investment in the former subsidiary at its fair value at the date of sale was \$216k. The gain on sale is recorded in other revenue.

28. Deed of guarantee

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

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

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

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

28. Deed of guarantee (cont'd)

Consolidated income statement

	2014 \$'000	2013 \$'000
Revenue	64,553	62,899
Investment income	906	1,364
Other gains and losses	1,587	2,317
Share of losses of associates	-	(58)
Employee benefits expenses	(13,156)	(12,377)
Depreciation and amortisation expenses	(1,906)	(1,443)
Marketing expenses	(16,952)	(15,460)
Operating costs	(14,063)	(13,336)
Option expenses	(283)	(215)
Technology expenses	(3,861)	(4,892)
Administrative expenses	(1,105)	(167)
Directors' fees	(473)	(533)
Finance costs	(333)	(79)
Other expenses	(2,261)	(3,130)
Profit before tax	12,653	14,890
Income tax expense	(3,153)	(4,897)
Profit for the year	9,500	9,993

Consolidated statement of comprehensive income

	2014 \$'000	2013 \$'000
Profit for the year	9,500	9,993
Other comprehensive income, net of income tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	-	(18)
Other comprehensive income for the year, net of tax	-	(18)
Total comprehensive income for the year	9,500	9,975

28. Deed of guarantee (cont'd)

Consolidated balance sheet

	2014 \$'000	2013 \$'000
Current assets		
Cash and bank balances	30,817	53,019
Trade and other receivables	5,585	10,201
Other financial assets	-	17
Current tax asset	1,881	-
Other assets	2,678	1,957
Total current assets	40,961	65,194
Non-current assets		
Investments in associates	16,870	16,870
Other financial assets	255	200
Property, plant and equipment	2,624	1,387
Deferred tax assets	3,346	4,137
Intangible assets	25,984	21,992
Total non-current assets	49,079	44,586
Total assets	90,040	109,780
Current liabilities		
Trade and other payables	21,216	39,027
Other financial liabilities	416	20
Current tax liabilities	-	667
Provisions	1,613	2,933
Other liabilities	382	831
Total current liabilities	23,627	43,478
Non-current liabilities		
Deferred tax liabilities	2,800	3,233
Provisions	241	257
Other liabilities	1,245	-
Total non-current liabilities	4,286	3,490
Total liabilities	27,913	46,968
Net assets	62,127	62,812
Equity		
Issued capital	40,179	40,179
Reserves	782	447
Retained earnings	21,166	22,186
Total equity	62,127	62,812

Summary of movements in consolidated retained earnings

	2014 \$'000	2013 \$'000
Balance at beginning of financial year	22,186	21,931
Profit attributable to owner of the Company	9,500	9,993
Payment of dividends	(10,520)	(9,738)
Balance at end of financial year	21,166	22,186

29. Investments in Associates

Name of associate	Country of incorporation	Proportion of owners interest and voting power held by the Consolidated Entity	
		2014 %	2013 %
Webjet Europe Ltd (i)	Malta	50	50
Webjet Marketing North America LLC (ii)	United States of America	15	50

- (i) Webjet Operations (Australia) Pty Ltd, a wholly owned subsidiary of Webjet Ltd, holds a 50% interest in Webjet Europe Ltd with World Aviation Services Limited holding the remaining 50% interest. Webjet Ltd and the directors of Webjet Ltd do not have the ability to control the operations of Webjet Europe Ltd. The financial year end date of Webjet Europe Ltd is 30 June. This was the reporting date established when that company was incorporated. For the purpose of applying the equity method of accounting, the financial statements of Webjet Europe Ltd for the year ended 30 June 2014 have been used.
- (ii) On 31 December 2013, Webjet USA Holdings LLC (a subsidiary of Webjet Limited) sold a 35% shareholding in Webjet Marketing North America LLC. The sale reduced the shareholding in Webjet Marketing North America LLC from 50% to 15% resulting in a loss of control. Therefore from 31 December 2013 it is no longer accounted for as a subsidiary, it is now accounted for as an associate.

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

	2014 \$'000	2013 \$'000
Aggregate carrying amount of individually immaterial associates	175	-
Aggregate amount of the Consolidated Entity's share of profits/(losses) of associates	(48)	(58)

30. Cash and cash equivalents

(a) Reconciliation of cash and cash equivalents

For the purposes of the consolidated statement of cashflows, cash and cash equivalents includes cash on hand in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
Cash and bank balances	51,792	66,812
Bank overdraft	-	-
	51,792	66,812

(b) Reconciliation of profit for the period to net cash flows from operating activities

	Consolidated	
	2014 \$'000	2013 \$'000
Profit for the year	19,127	6,484
Impairment of non-current assets	190	-
Depreciation and amortisation	2,801	2,000
Share of losses from associates	48	58
Options expense	283	215
Foreign exchange translation	(1,115)	274
Changes in assets and liabilities		
Decrease/(increase) in trade, term and other receivables	(3,263)	(11,297)
Decrease/(increase) in prepayments	879	1,257
Decrease/(increase) in deferred tax	(439)	(929)
Increase/(decrease) in trade payables and accruals	(19,763)	21,845
Increase/decrease in provisions	(1,864)	3,714
Increase/(decrease) in tax liability	(2,241)	(17)
Increase/(decrease) in other liabilities	8,717	933
Net cash generated from operating activities	3,360	24,537

31. Financial instruments

(a) Capital risk management

The Consolidated Entity has a capital risk and investment policy to provide guidance for its capital requirements. The policy is reviewed annually to take into consideration the Consolidated Entity's changing risk and short and long term funding needs. At present the Consolidated Entity has no financial debt other than that disclosed in the statement of financial position representing liabilities incurred in the normal course of operations. The Consolidated Entity's debt and capital includes ordinary share capital, and financial liabilities, supported by financial assets. The Consolidated Entity has significant cash reserves and the investment policy ensures that the organisation maximises its return from funds invested whilst adopting a very conservative approach to risk and also ensuring sufficient working capital is maintained.

(b) Categories of financial instruments

	Consolidated	
	2014 \$'000	2013 \$'000
Financial assets		
Loans and receivables	20,308	17,026
Cash and cash equivalents	51,792	66,812
Available-for-sale financial assets	255	200
Financial liabilities		
Fair value through profit or loss (FVTPL):		
Amortised cost	43,266	66,275

(c) Financial risk management objectives

The Consolidated Entity's financial instruments consist of deposits with banks and trade receivables incurred in the normal course of operations.

The senior executives of the Consolidated Entity meet regularly to analyse foreign currency and interest rate exposure to determine if the current treasury policy is appropriate in the current economic climate.

(d) Market risk

The Consolidated Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Consolidated Entity analyses its risk by completing sensitivity testing on its foreign currency and interest rate exposures and determining the potential impact on its effected expenses and revenue of movements in these rates. If the potential variance is material then management may seek to minimise this exposure but it does not consider this to be the case at this time.

(i) Foreign exchange

2014	USD '000	SGD '000	HKD '000	AED '000	EUR '000	Other '000
Cash and cash equivalents	12,457	2,364	5,436	829	195	2,025
Trade receivables	7,680	1,012	667	1,559	904	584
Trade payables	(4,244)	(3,199)	(4,411)	(2,722)	(4,025)	(1,840)
	15,893	177	1,692	(334)	(2,926)	769
2013	USD '000	SGD '000	HKD '000	AED '000	EUR '000	Other '000
Cash and cash equivalents	5,061	4,019	5,445	167	42	1,827
Trade receivables	4,828	518	1,972	373	263	1,746
Trade payables	(3,923)	(2,946)	(11,025)	(2,159)	(1,680)	(2,061)
	5,966	1,591	(3,608)	(1,619)	(1,375)	1,512

31. Financial instruments (cont'd)

(d) Market risk (cont'd)

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

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

2013	USD (\$'000)	SGD (\$'000)	HKD (\$'000)	AED (\$'000)	EUR (\$'000)	Other (\$'000)
Profit or loss	597	159	(361)	(162)	(138)	151
Other equity	-	-	-	-	-	-

(ii) Interest Rates

The Consolidated Entity does not hedge its exposure to interest rate movements and does not invest in fixed interest financial instruments. At 30 June 2014 it had \$51.8M (2013: \$66.8M) in cash and deposits. The average interest rate on all deposits for 2014 was 3.72% (2013: 4.04%).

Interest received for the Consolidated Entity for 2014 was \$0.8M. A table showing the sensitivity of this number to interest rate movements is detailed below.

Average Interest Rates	Income (\$'000)	Variance to actual (\$'000)
4.72% (+1.0%)	999	212
4.22% (+0.5%)	893	106
3.72% Actual	787	-
3.22% (-0.5%)	681	(106)
2.72% (-1.0%)	575	(212)

Management has considered that both a positive and negative 1% variance is sufficient to illustrate the potential variations in interest income.

(e) Credit risk management

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

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

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

(f) Liquidity risk management

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

The Consolidated Entity's non-interest bearing liabilities as at 30 June 2014 of \$43.0M (2013: \$63.0M) are expected to be settled within up to 60 days following the reporting period.

32. Share-based payments

Fair value of share options granted in the year

There were 3,000,000 options issued during the year ending 30 June 2014. Options granted to John Guscic in the 2014 financial year were independently valued by Leadenhall VRG Pty Ltd.

The weighted average fair value of the share options granted during the financial year was \$0.17. Options were priced using the Black-Scholes option pricing formula. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed the valuation uses an estimate of the expected life of the option.

These option valuations used the following inputs:-

Inputs into the model	Tranche 1	Tranche 2	Tranche 3
Spot price of underlying share	\$2.71	\$2.71	\$2.71
Exercise price	\$5.00	\$5.50	\$6.00
Risk free rate	3.03%	3.25%	3.46%
Volatility	35.0%	35.0%	37.5%
Dividend yield	4.8%	4.8%	4.8%
Vesting date	01/07/2015	01/07/2016	01/07/2017
Vesting period	18 months	18 months	18 months
Grant date	13/11/2013	13/11/2013	13/11/2013
Expiry date	01/07/2018	01/07/2019	01/07/2020
Total life	56 months	68 months	80 months
Expected life	38 months	50 months	62 months

Employee share option plan

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

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

- Tranche 1 – Vested on 1/09/2012 upon achievement of the board determined budget for 2012. Tranche 2 – Vested on 1/09/2013 as a result of the Company achieving the board determined budget for 2013. Tranche 3 – Vests on 1/09/2014 if Company achieves board determined budget for 2014.
- Tranche 1 – Vested on 1/09/2012 upon remaining in employment as at 30 June 2012. Tranche 2 – Vested on 1/09/2013 as a result of remaining in employment at 30 June 2013. Tranche 3 – Vests on 1/09/2014 if remains in employment at 30 June 2014.
- Tranche 1 – Vests on 30/06/2015 if remains in employment at 30 June 2015. Tranche 2 – Vests on 30/06/2016 if remains in employment at 30 June 2016. Tranche 3 – Vests on 30/06/2017 if remains in employment at 30 June 2017.

32. Share-based payments (cont'd)

The following reconciles the outstanding share options granted under the employee share option plan at the beginning and end of the financial year:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	3,000,000	3.1667	3,000,000	3.1667
Granted during the financial year	3,000,000	5.50	-	-
Forfeited during the financial year	-	-	-	-
Exercised during the financial year (i)	-	-	-	-
Expired during the financial year	-	-	-	-
Balance at end of the financial year (ii)	6,000,000	4.33	3,000,000	3.1667
Exercisable at end of the financial year	2,000,000	2.85	1,000,000	2.6000

(i) Exercised during the financial year

No share options granted under the employee share option plan were exercised during the financial year.

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had an weighted average exercise price of \$4.33 (2013: \$3.17), and a weighted average remaining contractual life of 3.5 years (2013: 3.0 years).

33. Related party transactions

(a) Key management personnel compensation

The aggregate compensation made to key management personnel of the company and the Consolidated Entity is set out below:

	Consolidated	
	2014 \$	2013 \$
Short-term employee benefits	1,745,956	2,397,182
Post-employment benefits	142,052	144,013
Share-based payment	283,127	214,639
	<u>2,171,135</u>	<u>2,755,834</u>

Further details of the directors and senior executives compensation is contained within the remuneration report on page 6.

(b) Transactions with other related parties

Transactions between Webjet Ltd and its related parties

Minter Ellison Lawyers of which Don Clarke is a principal was paid a total \$426,469 (2013: \$1,374,058) during the year. All transactions were conducted on a commercial arm's length basis and charged accordingly. An amount of \$1,217 was owed as at 30 June 2014 (2013: \$124,445) to Minter Ellison Lawyers.

PT. AbdiTeknologiInformasi (ATI) of which Brad Holman is a director was paid a total of \$37,255 (2013: \$8,116) during the year. All transactions were conducted on a commercial arm's length basis and charged accordingly. No amount was outstanding as at 30 June 2014 (2013: nil) to PT. AbdiTeknologiInformasi.

34. Business Combination

(a) Zuji Group

(i) Summary of acquisition

On 22 March 2013 the Group acquired 100% of the issued share capital of the following entities comprising the Zuji Group:

Name of subsidiary	Country of incorporation
Zuji Pty Ltd	Australia
Zuji Pte Ltd	Singapore
Zuji Properties A.V.V.	Aruba
Zuji Ltd	Hong Kong
Zuji Tavel Pte Ltd	Singapore

(ii) Revenue and profit contribution

Between the acquisition date of 22 March 2013 to 30 June 2013, the Zuji Group contributed to the Consolidated Entity revenues of \$8.0m and a net loss of \$1.5m.

It was determined to be impracticable to disclose the revenue and loss for the Zuji Group as if the acquisition had occurred at 1 July 2012 due to the difference in financial years making the results indeterminable.

(iii) Measurement period adjustments

As at 30 June 2013 the initial accounting for this acquisition was incomplete due to the various matters not yet being finalised and so provisional accounting was used. This has resulted in amounts being restated in the consolidated balance sheet for 30 June 2013 as follows:

- Additional consideration of USD \$2.0m, translated to \$2.2m, paid on 12 December 2013 as a result of a purchase price adjustment linked to target working capital levels following the completion accounts process for the Zuji Group. This was referred to in the original contract but not recognised in the provisional accounting because the amount was unable to be reliably determined at the time of preparing the financial statements for the year ended 30 June 2013.
- Additional \$582k recognised for the fair value of trademarks that has resulted in goodwill decreasing by the same amount.
- Additional \$1,038k of trade and other payables recognised that has resulted in goodwill increasing by the same amount.

Goodwill recognised as a result of the acquisition has increased from \$18.20m to \$20.86m

iv) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired
 Cash consideration
 Less: Balances acquired
 Cash
 Outflow of cash – investing activities

2014 \$'000	2013 \$'000
2,208	23,720
-	18,834
2,208	4,886

(b) Westweb Group

(i) Summary of acquisition

On 30 June 2013 the Group acquired the remaining 50% of the issued share capital of Westweb Holdings Limited, resulting in the Consolidated Entity gaining control over the Westweb Group:

Name of subsidiary	Country of incorporation
Westweb Holdings Ltd	British Virgin Islands
Webjet Hong Kong Ltd	Hong Kong
Webjet Singapore Ltd	Singapore

(ii) Revenue and profit contribution

Between the acquisition date to 30 June 2013, the Westweb Group contributed to the Consolidated Entity revenues of \$nil and net profit of \$nil.

Had the acquisition occurred on 1 July 2012, consolidated revenue and net loss for the Group for the year ended 30 June 2013 would have been \$185k and \$428k respectively.

35. Remuneration of auditors

	Consolidated	
	2014 \$	2013 \$
Auditor of the parent entity		
Audit or review of the financial report	128,500	155,650
	128,500	155,650
Network firm of the parent entity auditor		
Audit or review of the financial report	97,300	70,500
	97,300	70,500

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

36. Events after the reporting period

A final dividend of 7.25 cents per share, fully franked has been declared by the directors for payment 17 October 2014.

Webjet entered into a binding Heads of Agreement to acquire the SunHotels Group with effect from 1 July 2014. SunHotels, established in 2002, is a substantial online hotel provider with a turnover in excess of €90 million (approximately AUD \$130m) and specialises in the provisioning of a wide range of hotels and transfers in European resort destinations selling into the major markets of Scandinavia and the UK. As such this acquisition will form an important cornerstone platform for the immediate extension of product sourcing and distribution opportunities underpinned by more than 6,000 directly contracted hotels in the existing portfolio leveraged against a fully owned and scalable technology platform which has been operational for over five years.

37. Parent entity information

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

	30 June 2014 \$'000	30 June 2013 \$'000
Financial position		
Assets		
Current assets	3,515	8,477
Non-current assets	48,769	45,591
Total assets	52,284	54,068
Liabilities		
Current liabilities	8,324	7,912
Non-current liabilities	2,721	3,018
Total liabilities	11,045	10,930
Equity		
Issued capital	40,179	40,179
Retained earnings	312	2,494
Reserves - Equity settled employee benefits	748	465
Total equity	41,239	43,138
	30 June 2014 \$'000	30 June 2013 \$'000
Financial performance		
Profit for the year	11,025	11,882
Other comprehensive income	-	-
Total comprehensive income	11,025	11,882

38. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 19 August 2014.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEBJET LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Webjet Limited, which comprises the consolidated balance sheet as at 30 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Webjet Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 6 to 10 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Webjet Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.



BDO Audit (SA) Pty Ltd



Michael Haydon
Director

Adelaide, 19 August 2014

Additional securities exchange information as at 30 June 2014

Number of holders of equity securities

Ordinary share capital

79,397,959 fully paid ordinary shares are held by 5,066 individual shareholders. All issued ordinary shares carry one vote per share.

Options

6,000,000 options are held by an individual option holder. Options do not carry a right to vote.

Distribution of holders of equity securities

	Fully paid ordinary shares	Options
1 – 1,000	1,398	-
1,001 – 5,000	2,357	-
5,001 – 10,000	677	-
10,001 – 100,000	593	-
100,001 and over	41	1
	5,066	1
Holding less than a marketable parcel	207	-

Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares
	Number
Thorney Investments	10,575,613
Denver Investments	7,398,958
Mr Steven Scheuer	4,476,254
State of Georgia Division of Investment Services	3,931,600
Highclere International Investors	3,676,830
	30,059,255

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares		Partly paid ordinary shares	
	Number	Percentage	Number	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,313,403	23.08	-	-
NATIONAL NOMINEES LIMITED	6,308,450	7.95	-	-
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,897,802	7.43	-	-
MR STEVEN SCHEUER <NO 1 ACCOUNT>	3,064,745	3.86	-	-
EQUITAS NOMINEES PTY LIMITED <2874398 A/C>	1,894,321	2.39	-	-
UBS NOMINEES PTY LTD	1,834,605	2.31	-	-
MS KING-ENG TAN	1,673,464	2.11	-	-
CITICORP NOMINEES PTY LIMITED	1,609,912	2.03	-	-
MR JOHN LEMISH	1,541,300	1.94	-	-
MICROEQUITIES ASSET MANAGEMENT PTY LTD <NANOCAP NO 6 A/C>	1,477,226	1.86	-	-
JAYELLE SUPER PTY LTD <JOHN LEMISH SUPER FUND A/C>	1,468,700	1.85	-	-
MR STEVEN SCHEUER <NO 2 ACCOUNT>	1,135,717	1.43	-	-
MR CHRIS CARR + MRS BETSY CARR	875,000	1.1	-	-
MR IAN STANLEY BOOTES + MRS KYLIE BOOTES	748,750	0.94	-	-
CRIMSON SKIES PTY LTD <CRIMSON SKIES S/F A/C>	580,637	0.73	-	-
BNP PARIBAS NOMS PTY LTD <DRP>	457,275	0.58	-	-
MR RICHARD ALLAN NOON	311,000	0.39	-	-
YAZAD SUPER PTY LTD <YAZAD SUPER FUND A/C>	300,000	0.38	-	-
NATIONAL NOMINEES LIMITED <DB A/C>	295,500	0.37	-	-
CRIMSON SKIES PTY LTD <RICHARD NOON FAMILY A/C>	259,792	0.33	-	-
	50,047,599	63.06	-	-

Additional securities exchange information as at 30 June 2014 (cont'd)

Company secretary

Michael Sheehy

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Principal administration office

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