Webjet Limited

Annual Report 2020

Webjet Limited
ABN 68 002 013 612

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

Hotels

B2B

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

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

Travel

B2C

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

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

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Webjet staff holiday photos

Dear Shareholder

The global COVID-19 pandemic has caused unprecedented disruption to the travel industry. Webjet's record FY20 first half result (TTV up 25% to $2.3 billion, revenue up 24% to $217.8 million and underlying EBITDA up 43% to $86.3 million) quickly became a memory as borders were closed from March, and the gains of the first half were erased.

Roger Sharp
Chairman
Webjet Limited

Full year FY20 TTV was down 21% on the prior year at $3.0 billion, revenue was down 27% to $266.1 million and EBITDA for underlying operations was down 80% to $26.4 million.

To give a sense of the magnitude of the impact COVID-19 has had on our business, for the 12 months to December 2019, the Company had reported underlying EBITDA of $155.5 million.

By year end, most of the global travel industry was on life support. In the face of this existential threat your company acted quickly to rethink its strategy, restructure and recapitalise. We are acutely aware of the destruction in shareholder value across the industry globally, and we are determined to lead the way when the recovery comes.

Your Company's Response to the Pandemic

When the scale of the impact of COVID-19 became clear, your board and management team acted quickly to rethink all facets of the company's business. This accelerated process involved a review of our strategy as a company, our people, our technology, our operating costs, our investments and our balance sheet. As it was unclear how long the crisis would last, we decided to focus on the matters that we could control.

Strategy

While these are dark times for the travel industry, our strategy is our guiding light. We are determined to emerge leaner, faster, hungrier and more focused on our customers than ever before. Our aim is to win market share and be more profitable, and strategies are underway in each business to be best placed to compete as soon as travel markets reopen.

WebBeds' transformation strategy is aimed at it emerging as the #1 global B2B player.

Webjet OTA's strategy is to leverage its brand strength and prepare for a domestic-led tourism recovery while we wait for international markets to progressively re-open.

Online Republic's strategy is to improve its underlying performance through sharpening its product offering and enhancing its processes.

Restructuring

Having confirmed our strategy, we quickly embarked on an urgent restructuring aimed at significantly reducing the company's costs, leaving the fabric of the business intact so that it can capitalise on the upturn when it eventuates.

A range of initiatives quickly reduced costs by c.50%[1], from a mixture of 515 job reductions, four-day working weeks and pay cuts, as well as reductions in other operating expenditure. The Webjet Exclusives and Online Republic Cruise businesses were closed.

1. Q4 average monthly operating expense (excluding write-down of deposits, commissions and overrides in WebBeds) and CAPEX/Interest/Tax expenses compared to 1H20.

Strong capital position as at 30 June 2020

Cash on hand[(1)]
$207.6m
↑ $25.4m

Total liquidity[(2)]
$349.6m
↑ $81.6m

Debt maturity
Extended to November 2022

Recapitalisation

Having taken quick steps to recapitalise, Webjet has entered FY21 in a strong financial position, with $207.6 million of cash, $186.9 million of debt and extended senior debt maturity.

In April 2020 we completed a $346 million institutional placement and accelerated pro-rata, non-renounceable entitlement offer. Shortly after balance date we followed with a €100 million (A$163 million) Notes[(3)] offering.

The proceeds from the placement and entitlement offer materially strengthened the company's balance sheet and supported the unwind of negative working capital and reduction of B2B debtor exposure. $50 million of the Notes proceeds were applied to repaying existing term debt.

We worked proactively with our bankers to extend the maturity of our remaining term debt, which is now due in November 2022. Banking covenant waivers have also been obtained.

Given the ongoing market uncertainty, we have deferred payment of the FY20 interim dividend until 16 April 2021.

Recovery

The recovery is expected to be gradual and episodic. While the demand for travel is expected to be minimal for some months, there are increasing signs of significant pent-up demand. Our strategies are focused on ensuring we are there to capture this demand and provide great service to our customers and partners.

A focus on strong governance and risk management practices have never been more important than in the current environment. Our key focus during this time has been on ensuring the company survives and that our staff are safe. Social and environmental sustainability issues are important to the board and we will continue to expand our reporting in this area going forward.

Tribute

Your board and management have worked tirelessly to respond decisively to the pandemic. I would like to pay tribute to my fellow directors, to Managing Director John Guscic, CFO Tony Ristevski, Chief Commercial Officer Shelley Beasley and the entire Webjet team. We are saddened to have parted company with some team members and are grateful to others who have graciously accepted four day working weeks, pay cuts and a range of other measures essential to our survival. Their dedication and willingness to go the extra mile is the reason we know we will navigate this difficult time successfully.

Finally, thank you to our shareholders for supporting Webjet through our restructuring. And a warm welcome to the more than 50,000 new shareholders who have joined our register. We appreciate the trust you have placed in us.

Yours sincerely,

Roger Sharp
Chairman Webjet Limited

1. Net of client funds as at 30 June 2020.
2. Cash and cash equivalents plus undrawn credit facilities.
3. Issuance of cash settled notes based on $4.09 conversion price at a coupon of 2.5% for a 7 year term.

FY20 was an incredibly challenging year for Webjet Limited.

John Guscic
Managing Director
Webjet Limited

Following on from the outstanding profitable growth in FY19, Webjet went on to report a record first half underlying earnings in 1H20, driven by the international WebBeds strategy.

However like all travel companies around the world, the COVID-19 pandemic had a devastating impact on our business in the second half of the year. Government-imposed travel restrictions, domestic and international border closures and health concerns led to a material fall in TTV and bookings in all our businesses, resulting in nominal revenues since mid-March 2020. We focused on mitigating the impact as best we could through significant cost-reduction initiatives and strengthening the balance sheet through capital raisings. As we continue to navigate the challenging operating environment caused by COVID-19, we are heading into FY21 with a strong capital position offering the Company significant financial and strategic flexibility.

WebBeds is taking the opportunity to transform its offering to emerge as the leading B2B player

Prior to COVID-19, WebBeds was the fastest growing B2B player in the world and had cemented itself as the clear #2 global player. Increased scale in all regions had expanded TTV and EBITDA margins and the business was tracking ahead of its FY22 "8/4/4" profitability target.[1] The collapse of Thomas Cook in September 2019 was a key disappointment but our strong cash position and balance sheet meant this had little impact on our liquidity at the time. For the 12 months to 31 December 2019, WebBeds had grown to be the largest business unit in the Company, reporting more than $96 million EBITDA, over 60% of total Group EBITDA.

Most regions outside of China saw strong TTV and Bookings growth for the first 8 weeks of calendar year 2020 however from mid-March 2020, there was a material escalation of booking cancellations and significant reduction in overall booking activity in all regions. In an effort to offset the significant decline in revenues, the team turned their focus to reducing operating costs as quickly as possible, reducing underlying Q4 costs by 28% compared to the average pre-COVID.[2] With limited sales or contracting activity, teams quickly pivoted to supporting customers through expanded business intelligence reporting and improving the supply and distribution of domestic hotel inventory so as to be best placed when markets start to open up. Teams also used the time to optimise XML connections for our top clients.

Having spent 3 years building up the best team in the B2B industry, while we wait for COVID-19 to pass we are taking the opportunity to materially transform the WebBeds business. By rethinking how we do business and refining our processes and technology platforms, our Transformation Strategy is aimed at ensuring WebBeds emerges as the leading B2B player serving the global travel industry.

1. 8% Revenue/TTV and 4% Costs/TTV to deliver 4% EBITDA/TTV.
2. Q4 average monthly operating expense (excluding write-down of deposits, commissions and overrides in WebBeds) compared to pre-COVID average for 12 months ending 31 December 2019.

Webjet OTA is preparing for a domestic led tourism industry

The Webjet OTA delivered a resilient result in 1H20. In a challenging environment with soft domestic travel conditions, the business maintained TTV and EBITDA margins, highlighting the strength of the Webjet brand as the #1 OTA in the market.

The business continued to report strong TTV and bookings until mid-March 2020, before a significant fall in line with the closure of Australian borders. Like the WebBeds business, the team focused on cutting costs as quickly as possible. Given the significant proportion of variable costs in the business, we were able to reduce underlying Q4 costs by 78% compared to the average pre-COVID-19.[1] We also decided to close Webjet Exclusives – our packaged tour business – given it is not clear when international markets will again open up for Australian travellers.

Following the announcement of travel restrictions and border closures, our customer service centres were inundated with an unprecedented number of enquiries, booking changes and cancellation requests. The team worked tirelessly to manage the extraordinary volume and implemented significant changes to the website platform to facilitate and improve the customer support experience.

The team is focused on being well prepared for an expected domestic focused tourism industry in FY21. Domestic leisure markets are expected to be the first to open up and the Webjet OTA is well placed to take advantage given 85% of Webjet OTA flight bookings are domestic and its strong focus on serving the leisure market.

Online Republic is focused on improving underlying performance

Prior to COVID-19, Cars and Motorhomes were performing well and a turnaround strategy to return Cruise to profitability was underway. Like our other businesses, Online Republic was hard hit by COVID-19, reporting nominal bookings from March 2020. Cost reduction initiatives were implemented, reducing Q4 underlying costs by 23% compared to the average pre-COVID-19.[1] The Cruise business had been underperforming for some time and in light of the well-documented issues associated with cruise travel given the pandemic, we felt it appropriate to close that business. The new management team put in place last year are now focused on reviewing offerings to drive growth and streamlining processes to improve efficiencies.

Outlook

While we cannot predict with certainty when our major markets will open up again, we do know that the travel sector is resilient and we expect that in time demand will return.

Our WebBeds and B2C businesses provide critical distribution channels for the travel industry. While our focus on driving profitable growth has been impacted by the pandemic, we are focused on ensuring we are well placed to build on our positions once travel markets return. With domestic leisure markets expected to be the first to open up, all our businesses are ideally suited to take advantage.

Looking to FY21 and beyond, the competitive landscape is expected to change dramatically as a result of the pandemic, particularly in the B2B space where many competitors will face severe financial pressures. While our primary focus is on ensuring we are able to weather an extended period of recovery, our strengthened balance sheet provides the ability to take advantage of any attractive acquisition opportunities that may arise.

Our people

Our employees have always shown strong commitment and a preparedness to be agile, innovative and creative. Since the onset of the COVID-19 crisis, I have been consistently impressed with the passion, determination and creativity displayed by our teams globally to keep our business moving forward and continue to deliver with the highest level of quality.

While we face many challenges as we collectively respond to the impact of COVID-19 globally, it is truly exceptional to see the efforts our teams will go to in order to support our customers, supply partners and each other. There are many examples of team members going above and beyond. In fact, all the photos in this Annual Report have been supplied by our staff.

I would therefore like to thank all our employees for their commitment and dedication through this unprecedented and trying time. It is noted and thoroughly appreciated.

Finally I would like to thank our customers and supply partners who have shown immense resilience, collaboration and partnership during these difficult times. We are privileged to work with you.

John Guscic
Managing Director Webjet Limited

1. Q4 average monthly operating expense (excluding write-down of deposits, commissions and overrides in WebBeds) compared to pre-COVID average for 12 months ending 31 December 2019.

The Statutory Result includes various one off items. Underlying Operations excludes these items in order to demonstrate the performance of the underlying business.

FY20 vs FY19[1]	Statutory Result				Underlying Operations[2]			
	1H20	2H20	FY20	Change (FY20 vs FY19)	1H20	2H20	FY20	Change (FY20 vs FY19)
TTV	$2,334m	$687m	$3,021m	(21%)	$2,334m	$687m	$3,021m	(21%)
Revenue	$217.8m	$48.3m	$266.1m	(27%)	$217.8m	$48.3m	$266.1m	(27%)
EBITDA	$46.4m	($137.7m)	($91.3m)	(171%)	$86.2m	($59.8m)	$26.4m	(80%)
EBITDA Margin	21.3%	n/a	n/a	nm	39.6%	n/a	9.9%	nm
Tax Expense/(Benefit)	$3.1m	($18.4m)	($15.3m)	(207%)	$8.7m	($7.6m)	$1.1m	(92%)
NPAT (before AA)[3]	$20.9m	($139.8m)	($119.0m)	(250%)	$55.1m	($72.8m)	($17.7m)	(122%)
NPAT	$9.0m	($152.5m)	($143.5m)	(338%)	$43.2m	($85.5m)	($42.3m)	(168%)
EPS (before AA)			(68.1c)	(210%)			(10.1c)	(116%)
EPS			(82.1c)	(275%)			(24.2c)	(150%)
Effective Tax Rate (excluding AA)			11.4%	(394bps)			(6.6%)	nm

FY20 results highlight the material impact of COVID-19 during 2H20

The Company reported a record 1H20 driven by the performance of the WebBeds business. For the Underlying Operations, TTV was up 25% over 1H19 to $2.3 billion, revenue was up 24% to $217.8 million and EBITDA was up 43% to $86.2 million. 2H20 was impacted by the COVID-19 pandemic which resulted in nominal revenues in all businesses from mid-March 2020. As a result, TTV for the year was $3.02 billion, down 21% compared to FY19, revenues were $266.1 million (down 27%) and EBITDA was $26.4 million (down 80%). In an effort to mitigate the impact of COVID-19, the company instigated a range of cost reduction measures in March and April 2020. These initiatives helped reduce costs by c.50% compared to 1H20[4]. FY20 NPAT (before AA) was ($17.7 million), down 122% while NPAT was ($42.3 million), down 168%.

Strengthening the Balance Sheet

To help mitigate the impact of COVID-19, proceeds from the $346 million equity raising in April 2020 were used to strengthen the balance sheet and support the unwind of negative working capital and reduction of B2B debtor exposure. During 2H20, B2B debtor exposure risk was significantly reduced with net exposure falling from $102 to $117 million (as at 30 March 2020) to less than $15 million (as at 30 June 2020).

As a result of the cost reduction measures and strengthened balance sheet, as at 30 June 2020 key cash and liquidity measures were:

Cash on hand[5]	$207.6 million	up $25.4 million
Liquidity[6]	$349.6 million	up $81.6 million

Post balance sheet date, the company completed a €100 million ($163 million) Notes offering in July 2020. Proceeds were used to repay $50 million of the Company's existing term debt and extend remaining term debt maturity into late 2022, as well as being available for ongoing capital management and possible acquisition opportunities.

Dividend

In February 2020, the Company declared a 1H20 interim dividend of 9 cents fully franked (1H19: 8.5 cents). Following the onset of COVID-19, payment of the interim dividend which was due to be paid in April 2020 was initially deferred until October 2020. In light of ongoing market uncertainty, payment has been further deferred to April 2021. No final dividend was declared for FY20.

All financial results are for Underlying Operations

1. FY19 comparative restated for AASB16.
2. Underlying Operations – FY20 EBITDA excludes one-off items totalling $117.7 million.
3. Acquisition Amortisation – includes charges relating to amortisation of intangibles acquired through acquisition.
4. Q4 average monthly operating expense (excluding write-down of deposits, commissions and overrides in WebBeds) and CAPEX/Interest/Tax expense compared to 1H20.
5. Net of Client Funds.
6. Cash and cash equivalents plus undrawn credit facilities.

WebBeds B2B Hotel business	1H20	2H20	FY20	FY19[1]	Change	CY19[1]
Bookings ('000s)	2,410	808	3,217	3,444	(7%)	4,274
TTV	$1,470m	$395m	$1,865m	$2,154m	(13%)	$2,588m
Revenue	$127.5m	$26.4m	$153.9m	$184.5m	(17%)	$226.9m
EBITDA	$57.3m	($42.0m)	$15.3m	$70.6m	(78%)	$96.3m
Revenue margin	8.7%	6.7%	8.3%	8.6%	(32bps)	8.8%
EBITDA margin	45.0%	n/a	10.0%	38.3%	nm	42.4%

As at 1H20, increased scale had improved margins and significant EBITDA growth was coming through in all regions. The FY20 result highlights the impact of COVID-19 during 2H20 reflecting the nominal bookings, TTV and revenues reported since mid-March 2020. All regions focused on reducing costs as quickly as possible. Q4 operating costs fell 28% compared to the pre-COVID-19 average[2]. Main savings were headcount reductions, remaining staff moving to 4 day working weeks, removal of incentives and elimination of travel costs. 2H20 EBITDA includes the write down of deposits, commission and overrides.

WebBeds Asia Pacific
As at 1H20, bookings and TTV had increased 142% and 108% respectively compared to 1H19. Significant growth was coming through in key markets of India, Japan and China and EBITDA was $8.2 million (1H19: $(0.1 million)). China markets were impacted by COVID-19 from January 2020 and other Asia Pacific markets soon followed. FY20 Bookings and TTV grew 28% and 11% respectively over FY19, reflecting the significant growth coming through in 1H20. Asia-Pacific reported an EBITDA loss of $5.2 million for FY20, down 178% compared to FY19.

WebBeds Europe
As at 1H20, bookings and TTV had increased 2% and 10% respectively compared to 1H19. 1H20 EBITDA was $30.4 million, up 54%, driven by changing customer mix, increased sales through higher margin supply sources, strong cost management and DOTW synergies coming through. Europe showed strong booking growth at the start of 2H20 before a material slowdown in March 2020. FY20 bookings and TTV were down 34% and 29% respectively compared to FY19. FY20 EBITDA fell 50% to $18.9 million.

WebBeds AMEA
As at 1H20, bookings and TTV were up 78% and 67% respectively and EBITDA was up 57% to $18.9 million, reflecting DOTW synergies and organic growth coming through. FY20 results reflects the material impact of COVID-19 in 2H20. FY20 bookings were up 7% compared to FY19 and TTV was down 2%. FY20 EBITDA was $1.8 million, down 93% compared to FY19.

Webjet OTA	1H20	2H20	FY20	FY19[1]	Change	CY19[1]
Bookings ('000s)	795	330	1,125	1,565	(28%)	1,575
TTV	$708m	$269m	$976m	$1,378m	(29%)	$1,402m
Revenue	$74.8m	$18.6m	$93.3m	$150.5m	(38%)	$151.1m
EBITDA	$28.8m	($6.2m)	$22.6m	$61.4m	(63%)	$61.5m
Revenue margin	10.6%	6.9%	9.6%	10.9%	(136bps)	10.8%
EBITDA margin	38.6%	n/a	24.2%	40.8%	nm	40.7%

As at 1H20, the Australian travel market was challenging with reduced capacity, weaker consumer sentiment and the summer 2019/2020 bushfire crisis all impacting demand for travel. However the strength of the Webjet OTA's brand helped maintain margins and EBITDA remained constant compared to 1H19. Bookings, TTV and revenue continued until mid-March 2020 then nominal revenues were reported for the remainder of 2H20 in line with Australian and international border closures. FY20 EBITDA was $22.6 million, down 63% compared to FY19. Q4 costs were down 78% compared to the pre-COVID-19 average[2]. The main cost savings related to the reduction in costs tied to TTV (ie marketing spend and other volume related expenses) as well as redundancies, staff moving to 4 day working weeks and removal of incentives.

Online Republic	1H20	2H20	FY20	FY19[1]	Change	CY19[1]
Bookings ('000s)	253	86	339	496	(32%)	508
TTV	$156m	$24m	$180m	$299m	(40%)	$309m
Revenue	$15.6m	$3.4m	$18.9m	$31.4m	(40%)	$30.8m
EBITDA	$6.6m	($4.9m)	$1.7m	$13.3m	(87%)	$12.7m
Revenue margin	10.0%	14.2%	10.5%	10.5%	3bps	10.0%
EBITDA margin	42.4%	n/a	9.0%	42.5%	nm	41.1%

As at 1H20, Cars and Motorhomes had performed well with Bookings and TTV up compared to 1H19, and a plan to return Cruise to profitability was underway. TTV and revenue continued to come through until March 2020 before nominal revenues for the remainder of 2H20 due to the impact of COVID-19. 2H20 TTV margins were impacted by cancellations. Cost reduction initiatives reduced Q4 costs by 23% compared to the pre-COVID-19 average[2]. The main savings were due to headcount reductions, staff moving to 4 day working weeks reduced marketing spend and removal of incentives.

Corporate costs	1H20	2H20	FY20	FY19[1]	Change	CY19[1]
B2B EBITDA	$57.3m	($42.0m)	$15.3m	$70.6m	(78%)	$96.3m
B2C EBITDA[3]	$35.4m	($11.1m)	$24.3m	$74.8m	(68%)	$74.1m
Corporate costs	**($6.5m)**	**($6.7m)**	**($13.2m)**	**($15.9m)**	**(17%)**	**($15.0m)**
Total EBITDA	$86.2m	($59.9m)	$26.4m	$129.5m	(80%)	$155.5m

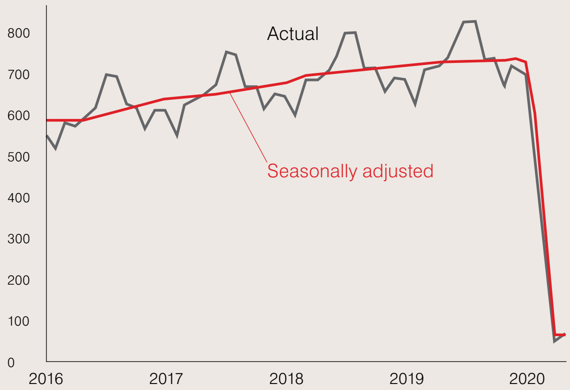
FY20 corporate costs were down 17% compared to FY18. The Foreign Exchange (FX) program successfully reduced FX costs, reporting $1.1 million gain for the year (FY19: $2.2 million loss). 2H20 Corporate costs reflected salary reductions effective from 1 April 2020 for the board, Managing Director and Executive team (salaries down 20%, 60% and 20% respectively). This was largely offset by a material increase in D&O premiums.

1. FY19 and CY19 comparative restated for AASB16.
2. Q4 average monthly underlying operating expenses (excluding write down of deposits, commissions and overrides in WebBeds) compared to pre-COVID-19 average for 12 months ending 31 December 2019.
3. B2C is Webjet OTA and Online Republic.

Record 1H performance

Prior to COVID-19, Webjet has experienced significant growth in TTV, revenue and EBITDA.

Air passenger volumes
Industry RPK's (billion per month)



Sources: IATA Economics, IATA Monthly Statistics

COVID-19 Travel Regulations Map
As at May 2020

Totally Restrictive Partially Restrictive Not Restrictive
Latest updates currently under review

COVID-19 has had a devastating effect on the global travel industry, impacting Webjet in all our businesses due to the wide reaching travel restrictions in place around the world.

Looking forward into FY21 and beyond.

While the global travel industry has been severely impacted by the COVID-19 pandemic, we believe that travel is resilient and that Webjet is well placed to capture the pick-up in travel activity as travel conditions start to normalise.

While we wait for travel markets to open up, we are taking this opportunity to refresh and retool so as to be ready to emerge in a strong competitive position and build on our market leading positions in the global B2B and Australian and New Zealand B2C markets.

Travel is resilient

While we do not have certainty on when the current period of restricted travel and traveller uncertainty will end, consistent with past viral outbreaks and disruptions to travel, we believe there will be considerable pent-up demand and in time expect travel to return to long term growth levels.

Webjet is well placed to capture the pick-up in travel activity

Our businesses provide a critical distribution channel for the global travel industry and we expect them to play an increasingly important role connecting clients and customers in a recovering travel sector. When travel activity begins to normalise, it is expected to occur at various points in time and in different regions due to differences in timing and severity of each region's COVID-19 experience. With a truly global footprint in terms of geography and client base, Webjet is well placed to capture the pick-up in travel momentum as domestic and international borders reopen around the world.

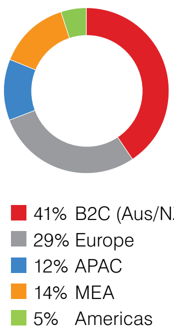
We expect significant changes in the competitive landscape

The severe financial pressure on travel industry players due to COVID-19 means there will likely be significant changes in the competitive landscape once COVID-19 passes. Having strengthened our balance sheet, Webjet is well placed to take advantage of attractive opportunities that may arise to gain market share.

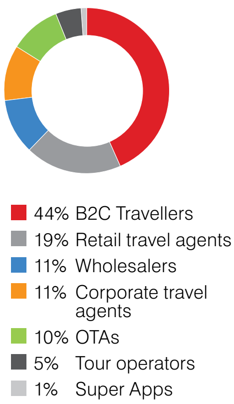
Strategies are underway in all businesses to recover and build on market leading positions

Prior to the arrival of COVID-19, Webjet had experienced significant growth and we are focused on retaining our leadership positions in the WebBeds and B2C businesses as the world recovers. Strategies are underway in all our businesses to prepare and evolve our offerings so as to be ready when travel conditions start to normalise. Further details on these strategies are set out on the following pages.

FY19 PF TTV by source geography[1]



FY19A TTV by client



1. Proforma inclusive of Destinations of the World acquisition.

WebBeds Transformation Strategy

As at 1H20, WebBeds was the fastest growing and 2nd largest B2B provider in the world and our "8/4/4" profitability target[1] was tracking ahead of plan. Investment in building scale in all regions was delivering strong EBITDA growth and directly contracted hotel inventory continued to drive efficiencies and increase TTV margins.

COVID-19 has impacted WebBeds in all regions due to the travel restrictions in place in most of the world.

The WebBeds Transformation Strategy is focused on redefining our business model and refining our processes to emerge from COVID-19 as the leading B2B player serving the global travel industry.

WebBeds

While we wait for global travel markets to open up again, we are taking this opportunity to materially transform the WebBeds business so as to be optimally positioned to capture customer demand when the rebound begins.

WebBeds Transformation Strategy

Rethinking how we do business

WebBeds has always sought to disrupt the bedbank industry – providing a full global inventory offering at a lower cost. We are committed to delivering a differentiated product and adding value to our partners globally and this is an opportunity to review our business model and product lines by looking at what we sell and how we sell it. Having been at the forefront of innovation, we are looking for opportunities to further separate ourselves from the rest of the industry.

Streamlining Technology

The evolution of WebBeds has allowed us to offer a number of excellent technology platforms to our partners. A key goal of our business is to be the easiest partner to do business with and we have already introduced innovations such as WebConnect to simplify hotel connections without impacting customer connections. We are now ramping up our goal of simplification and ease by taking the best elements of our existing platforms to create a new technology offering to deliver the most robust, efficient and flexible solution to our supply partners and customers.

Increased leverage of data analytics and automation

Our multi-supply aggregation strategy model provides WebBeds with access to more data than any other industry player in the world. We are leveraging this to deliver improved customer service, enhanced profitability and greater competitiveness through Artificial Intelligence (AI), robotics and data-driven decision making. We are also looking at opportunities to better support and help drive better outcomes for our partners. We introduced *WebBeds Destination Index* during the year to share market insights with our hotel partners and are looking to expand this further.

Sharpened focus on cost reduction opportunities

WebBeds is already the lowest cost global B2B provider – the entire WebBeds offering is designed to minimise costs. Aligning financial and customer service operational functions will be the next phase in further reducing costs. We are also looking for other ways to improve efficiencies and effectiveness by simplifying processes across the business. Continuing to lower our cost base will provide opportunity for improved profitability once travel markets return.

Refinement of risk management processes

Managing trading and credit risk has always been a priority – we regularly review our customer base and remove lower quality customers from our portfolio. During FY20, we significantly reduced long term debtors. We are further tightening our credit processes and limits to minimise trading risk exposure should COVID-19 events occur in the future.

1. 8% Revenue/TTV and 4% Costs/TTV to deliver 4% EBITDA/TTV.

B2C recovery strategies

Our B2C businesses have also been significantly impacted by the COVID-19 pandemic following the closure of Australian and New Zealand borders and the various travel restrictions in place around the world.

As we head into FY21, domestic leisure markets are expected to be the first to open up and the Webjet OTA and Online Republic's Cars and Motorhomes businesses are well placed to benefit from the expected uptick from domestic led tourism in Australia and New Zealand.

Both businesses are pursuing strategies in order to emerge with the strongest customer offering to meet the needs of an evolving travel landscape.

Webjet OTA

- Strong brand presence
- #1 online travel agent in Australia and New Zealand
- 50% of the entire OTA flights market
- More than 5% of the domestic flights market
- Predominately serves the leisure market
- Structural shift from offline to online is accelerating

1H20 Flight Bookings

- 85% Domestic
- 15% International

Webjet OTA is leveraging its brand strength as the #1 OTA. In a rapidly changing environment, our ongoing focus on offering the greatest convenience and choice in online travel has never been more important.

Maintaining relevance with our customer base

- Our loyal customer base is hugely important to us. While traditional marketing spend has been minimised, we are focused on maintaining relevance to our customers through cost efficient, targeted marketing strategies. During the periods when travel was not possible, the Webjet OTA's 2.5 million+ customer database received regular email campaigns providing inspiration and excitement for the days when they could travel again. As borders began to open up in June 2020, this transitioned to highlighting domestic deals to help stimulate demand.

Delivering technical changes and advancements necessary to compete in a rapidly changing world

- COVID-19 has brought many changes to the way we travel – flight schedules have been reduced, credits are becoming prevalent, and government, airlines and airports around the world are imposing a range of requirements. As a result, travellers need to be able to fully understand the travel products they purchase in a way they never needed to before – including flexibility, refundability and their responsibilities when purchasing and using those products. We are in the process of implementing technical changes to our systems to enable customers to more effectively interact with Webjet in relation to their travel needs.

Continuing to be a "partner of choice"

- As Australian and New Zealand domestic markets start to open up, we are reviewing our product and service offerings in order to drive revenue growth and ensure we are best placed to stimulate and capture customer demand. In recent years, Webjet OTA TTV margins have in part been driven by investing in partnerships to ensure the best content is available to our customers. We are continuing this investment, working with our airline and other travel partners and supporting local tourism operators to help stimulate demand in a rapidly changing environment.

Online Republic

- #1 global online motorhomes rental site
- #2 online car rental site in Australia and New Zealand
- Primarily a leisure business
  – 100% of Motorhomes and
  – more than 80% of Cars are booked for leisure purposes

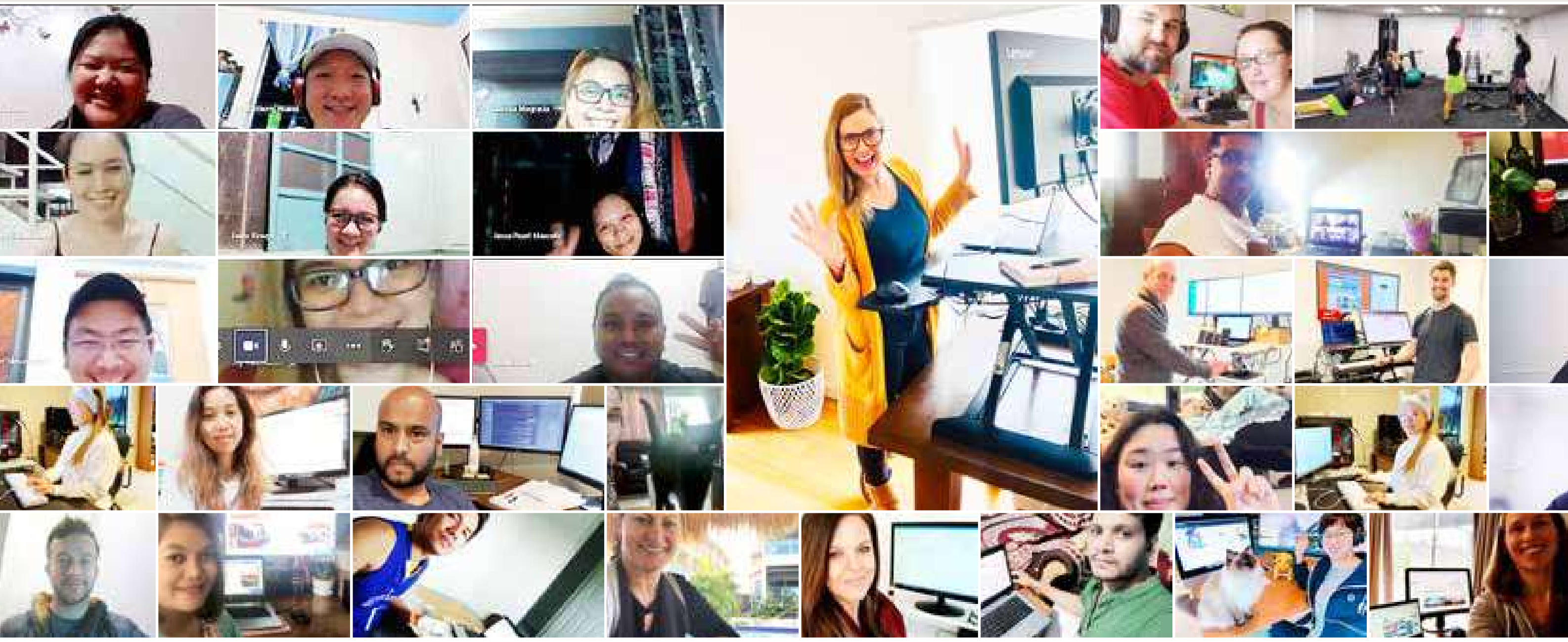
1H20 Bookings

- 70% Domestic
- 30% International

Online Republic is reviewing its product offering and streamlining processes to improve underlying performance.

- **Reviewing offering across Cars and Motorhomes to drive growth** – working with partners and supporting local tourism operators to help stimulate demand
- **Streamlining processes to deliver greater efficiencies** – including improving technology stack processes, moving to a single CRM and increased focus on automation
- **Maintaining relevance with customers** – providing inspiration and stimulating demand through cost efficient targeted marketing strategies while minimising traditional marketing spend
- **Delivering technical enhancements to improve the customer experience** – implementing a range of technical changes to enable customers to understand flexibility and refundability of products purchased

Our people have played a key role in responding to the impact of COVID-19 on our business.



In the face of an unprecedented global crisis, our people have gone above and beyond – showing enormous agility in adapting to a new environment and determination and commitment to keep the business moving forward.

Agility in adapting to a new environment

Webjet employees globally have done their part to adapt to a changing world. Following government-imposed lockdown measures, staff in almost 30 office locations around the world were supported in moving their operations from office to working from home. In less than 2 weeks, all roles had moved to working from home with minimal impact on customers, clients and suppliers.

"Our largest B2B call centres of Manila and Romania were moved to be operational from home within 24 hours in Manila and two weeks in Romania, with limited disruption to our customers. This was an unprecedented scenario and Site Management, IT, HR and Administration teams across both sites worked relentlessly – providing assistance in getting work equipment to take home, issuing health and safety notices and guidelines on COVID-19 and working from home, keeping in touch daily through virtual calls with teams to be sure everyone stayed healthy, safe, motivated and engaged as a member of the WebBeds team in this time."

WebBeds Office Manager Romania and Site Director Manila

"Our Customer Service heads basically lived in the office during March – working through the nights as the Philippines and India call centres were shut down due to government restrictions limiting movements of their population into the CBD. They worked around the clock to mobilize offshore teams to work remotely, when no remote working had ever been done before – and were able to get messaging back online within 48 hours."

CEO Webjet OTA

"Within 6 days, our brand new Infrastructure manager had enabled 160 New Zealand based staff and offshore call centres in Romania, Manila and Shenzhen to work from home for the first time in our company's history."

CEO Online Republic

IT and Operations teams helped employees source the necessary equipment and systems to enable them to work effectively from home and technology introduced during the year helped teams stay connected. Security processes and protocols were upgraded to protect the business in the new working environment.

Staff in all 50+ locations were kept regularly updated on COVID-19 related changes.

Determination and commitment to keep the business moving forward

Our China WebBeds team was the first to have their activities impacted by the COVID-19 outbreak. Within days, every role on the team learned to multi-task with teams stepping in to help other teams and every spare minute was put to use. This attitude and determination to remain relevant and contribute was soon replicated in every business across every region within the Company.

Our B2C and WebBeds customer service centres were overwhelmed following unprecedented cancellations of flights, hotels, tours and holidays. The teams worked tirelessly to try and get customers home when borders closed, seek refunds and credits when travel was unable to be completed, and reaccommodate customers on new journeys when the one they wanted to take was no longer operational. In return, the support from our customers was overwhelming – team members received many gifts and words of thanks from travellers all over the world who were grateful for the extraordinary dedication of our teams.

Webjet staff working from home during lockdown

As travel markets closed, our WebBeds Commercial and Customer Service Teams proactively focused on putting time to good use. WebBeds APAC pivoted to providing business intelligence to their partners – undertaking market dynamics research to help gauge those markets best placed to rebound. WebBeds Europe and AMEA used the time to optimise XML connections for their top clients. WebBeds Global Operations teams proactively reached out to top customers to help better manage and track cancellations of future bookings. Contracting, sales and marketing teams in all regions shifted their focus to increasing supply and distribution of domestic products so as to be best placed when domestic travel markets reopened.

Our people are our key priority

We have faced many challenges as we collectively respond to the impacts of COVID-19 globally. It is truly exceptional to see the efforts our teams have gone to in order to support our customers, our supply partners and each other.

> "Our Commercial Support Teams made good use of the down time, streamlining processes and procedures, revisiting tasks that had been put on the backburner and going to great lengths to find ways to add value to the business. The team continued to work together through close engagement, daily catch ups, weekly tracking and online activities to keep spirits up such as quizzes, success story sharing and team games."
>
> CEO WebBeds AMEA

Teams have been working harder than ever despite most employees moving to reduced working weeks or taking substantial pay cuts. Where possible, we have helped affected staff access government financial support and provided financial and other assistance to enable staff to work from home.

Despite the challenging times, there have been many examples of our people reaching out to stay connected and help others:

> "Despite the difficult time for everyone, the Jakarta team raised funds to support the security officers and cleaner who work in our Jakarta Office who had been put on furlough by their employer – raising money to help the workers celebrate the Eid-mubarak festivity celebrations."
>
> Regional Head Customer Service, APAC

Our people are our greatest asset

They continue to be highly committed to the Company and everyone has focused on doing their part to navigate through uncertainty to keep the business moving forward and continuing to deliver to the highest level. COVID-19 has had enormous impact on our staff and our immediate focus remains on their safety, health and well-being. As we ready ourselves for travel markets reopening, we remain focused on ensuring we have the right structures in place to retain, motivate and engage our teams all around the world.

The importance of bedbanks.

WebBeds provides a critical distribution channel for the travel industry.

The global accommodation market is huge, complex and highly fragmented – approximately 80% of global hotels are independent and global hotel chains are not present in many destinations.

As a bedbank, WebBeds provides a critical distribution channel by connecting sellers (global accommodation suppliers) with buyers (booking enablers).

WebBeds connect **sellers** with **buyers**

Accommodation Suppliers of the World

- Global hotel chains
- Regional hotel chains
- Boutique hotels
- Small independent hotels
- Resorts
- Other accommodation providers

How do I **reach potential customers?**

How can I **offer enough products** that are relevant to my customers?

Booking Enablers

Traditional Channels

- Retail Travel Agents
- Corporate Travel Agents
- OTAs
- Wholesalers
- Tour Operators

New Channels

- Airlines
- Travel Lifestyle Apps and Sites

Travellers

WebBeds – our business model.

WebBeds provides a global B2B marketplace connecting hotels with booking enabler customers – providing hotel partners with an important source of distribution while helping customers access a full suite of global hotel room inventory.

Hotel partners

Who are our hotels partners?

- **30,000+** key hotels, directly contracted (the majority of which are independent)
- **60+** leading hotel chains
- 3rd party providers including **75+** global and specialist wholesalers worldwide
- The **three largest travel companies** in the world by market capitalisation supply to WebBeds

Global accommodation market

- 80% Independent hotels[1]
- 20% Part of a chain

What does WebBeds offer its hotel partners?

- **Global reach** – we sell to around 200 destinations globally through customers in more than 145 markets
- Quick and **easy distribution**
- **Transparency and predictability** to help in the management of their occupancy rates and profitability
- **Diversification** of their demand sources

200 destinations globally through customers in more than 145 markets

WebBeds is the 1st bedbank to share our knowledge with the industry: WebBeds Destination Index

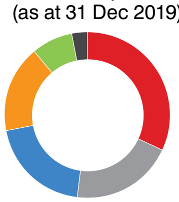
bedbank bookings are typically higher ABV, longer lead time and lower cancellation rates than direct to consumer booking channels

Customers

Who are our customers?

- **Over 44,000+** travel provider customers worldwide – **including the five largest travel companies** by market capitalisation globally
- **Broad customer profile** across all categories

WebBeds customer profile (as at 31 Dec 2019)



- 32% Retail travel agents
- 20% Wholesalers
- 20% Corporate travel agents
- 17% OTAs
- 8% Tour operators
- 3% Super Apps

What does WebBeds offers its customers

- Quick and **easy access** to a full suite of global inventory
- Highly **competitive** inventory pricing
- Market leading **technology**
- **Dedicated** local sales and supplier support team structure

Over 350,000 hotels
30,000+ directly contracted hotels
Connections with 60+ leading hotel chains

1 booking every 8 seconds

50+ offices globally
1,550 staff worldwide

1. Source: STR Global and Company estimates based on all hotels offering rooms for sale.

WebBeds – global presence: regional strength.

Selling to 200 destination countries through clients in more than 145 source markets worldwide.

WebBeds Asia Pacific

Regional Player Rank	#2

WebBeds Asia Pacific has customers and hotel contracts in 20 markets in the region.

As at 1H20, Asia Pacific was on track to be the region with the highest booking volume. Significant TTV growth was coming through in some of the largest Asia Pacific economies – China, India and Japan – as well as strong growth from new key clients. China markets were impacted by COVID-19 from January 2020 with other markets following in March.

Prior to COVID-19, Asia Pacific was the fastest growing B2B region in the world and it is expected to continue to be an important B2B market once travel conditions return.

WebBeds Europe

Regional Player Rank	#2

WebBeds Europe has customers and hotel contracts in more than 100 markets around the world.

As at 1H20, strong TTV and EBITDA growth was coming through driven by a changing customer mix and increased sales through higher margin supply sources. A number of key markets delivered above average TTV growth including UK, Germany, Spain, France and Russia. Key destinations reporting double digit TTV growth included Italy, Greece, Turkey, UAE, Thailand, Croatia and Egypt. Booking and TTV growth continued until February 2020, before a material slowdown from March 2020 due to COVID-19.

Prior to COVID-19, WebBeds Europe continued to gain share as the #2 player in the region. As travel conditions return, Europe is expected to continue to be an important B2B region given the significant proportion of independent hotels.

WebBeds AMEA

Regional Player Rank – MEA	#1

WebBeds AMEA has customers and hotel contracts in 37 markets in the Middle East & Africa and in 17 markets across the Americas.

Middle East & Africa

As at 1H20, market share continued to improve through organic growth.

Americas

As at 1H20, North America reported strong TTV and bookings growth driven by increased API connections with high volume customers and continued investment in Latin America saw improved performance coming through.

Middle East & Africa and the Americas

Both regions saw significant decline in booking activity due to COVID-19 in 2H20.

As travel conditions return, we are focused on maintaining WebBeds' market leading position in Middle East & Africa, as well as continuing to gain share in the Americas through continued expansion of the distribution network and footprint across the region.

WebBeds – at the forefront of innovation.

WebBeds has been at the forefront of innovation in the bedbank industry – launching Lots of Hotels in February 2013 with the aim of disrupting the industry with a low cost model offering the greatest breadth and depth of hotel inventory.

Since then, we have been committed to offering a differentiated product to our customers and hotel supply partners.

rezchain.
Booking Verification Technology

UmrahHolidays
INTERNATIONAL

Rezchain – February 2016

Rezchain is the **first workable blockchain in the travel industry**. We built it to address a significant problem across the hotel industry where around 5% of all hotel bookings are disputed in some way due to data mismatches.

Operating across all WebBeds platforms since 2019 (following the integration of the DOTW platform), Rezchain continues to drive efficiencies and improve customer experience across WebBeds and has played a key role in moving closer to our "8/4/4" profitability target[1] by helping reduce costs. Following significant internal trials, Rezchain was launched to the public in November 2019. The onset of COVID-19 has seen a pause in the Rezchain rollout as we focus on the operational aspect of recovery. Sales efforts are expected to resume in FY21.

Umrah Holidays International – February 2019

Launched in February 2019, Umrah Holidays international was the **first truly online B2B provider of travel services for religious pilgrims**, a market estimated to be around US$10 billion TTV. The Kingdom of Saudi Arabia's vision to welcome 30 million religious visitors a year by 2030 provides an opportunity to leverage the WebBeds global distribution network and strong partnership with hotels in the Kingdom of Saudi Arabia to offer a range of religious travel service packages.

In FY20, we continued to build out capabilities in the region including enhancing our platform, negotiating new supply contracts and developing appropriate marketing materials for post COVID-19 travel. Umrah Holidays International is currently one of only 3 approved suppliers on MAQAM – the government approved distribution platform – and is well placed to capture pent up demand once travel is again permitted.

WebBeds Destination Index– November 2019

Our multi-supply aggregation strategy – whereby we source hotel inventory from directly contracted key hotels as well as through 75+ global and specialist wholesalers worldwide – provides WebBeds with access to more data than any other industry player in the world. This data enables insights into market performance and market trends and **WebBeds is the first bedbank to share its knowledge** with the industry through its innovative WebBeds Destination Index product.

Launched in Hong Kong in November 2019, WebBeds Destination Index is a barometer that tracks trends in weekly hotel bookings. WebBeds Destination Index measures a wide range of key performance indicators including number of bookings, total transaction value, room nights, average daily rate and more, against a 52-week average. By aggregating this data, the WebBeds Destination Index creates an overall Market Index that individual hotels can reference and benchmark.

1. 8% Revenue/TTV and 4% Costs/TTV to deliver 4% EBITDA/TTV.

webjet.com.au

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

B2C

As at 1H20, Webjet bookings accounted for:

50%
of the entire OTA flights market in Australia and New Zealand

5%+
of all domestic flight bookings

~4%
of all international flight bookings

Webjet OTA offers a broad range of ancillary products

Holiday packages – that let customers create their own packages

Travel insurance – backed by Cover-More

Over 500,000 **Hotels** worldwide

Cars – 180 global car rental partnerships with pick-ups in over 50,000 locations globally

Motorhomes – 450+ individual motorhome rental companies in 38 countries

Gift cards – Webjet eGift cards can be purchased online and Gift Cards are available from over 1,000 retailers around Australia

During the year, we continued to deliver ongoing enhancements across the Webjet OTA platform.

Enhancements

- **Carbon offsets** now available for flight bookings
- **AfterPay** added as a payment type
- Expansion of **Webjet Gift Card** distribution network in physical outlets and digital portals
- **Apple Pay** and **Google Pay** integrated to mobile Apps for AU/NZ
- **Mix'n'Match** flights added to dynamic packages, lowering trip prices and increasing choice
- Further **enhanced ancillary options** for LCC carriers
- Integrated **dynamic seat selection** for Qantas and Velocity Frequent Flyers based on passenger status
- **Streamlined matrix flight displays** for one-way centric international flight markets

Partnerships

- Coding to **Travelport's new NDC API** 'TripServices' progressing well
- Testing underway with **Qantas' NDC flight content** through TripServices
- New **partnership for Travel Insurance** signed with Cover-More
- Major push with **Australian tourism bodies** to drive domestic tourism post Bush Fires during 2019/2020 summer
- Partnering with **Australian Tourism Bodies** to drive domestic tourism following the easing of COVID-19 travel restrictions

Post COVID-19 system enhancements

The arrival of COVID-19 has brought many changes to the way we travel and we have implemented a range of enhancements to our systems to allow customers to more effectively and efficiently interact with us in relation to their travel needs.

- Improving **self-serve airline credit redemption** to speed up the experience for customers
- **COVID-19 Support Page** frequently updated with evolving airline/supplier policies to help customers understand their options
- Improved **Customer Service Messaging** for cancellation and booking changes
- **Automation of refund processes** to speed up refund payments for customers
- Developing further **flexible payment options** for hotels
- Providing detailed information about **Hotel Sanitisation** at an individual property level
- Merchandising the **refundability & flexibility of travel products**, now a key driver for customer purchasing decisions

Customer service

We have always taken pride in delivering exceptional customer service and Webjet OTA has consistently ranked #1 in industry wide customer service benchmarking studies. COVID-19 had a significant impact on our customer service centres due to the unprecedented increase in queries combined with severely impacted staffing levels due to government-imposed travel restrictions in countries where our call centres were located. During the peak months of March to June 2020, customer service queries increased to unprecedented levels and our teams worked tirelessly to address queries as quickly as possible.

We acknowledge that the onset of COVID-19 impacted our service delivery standards. We are currently reviewing our existing business continuity plans in order to be well prepared for any similar future event.

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

Webjet staff photos

Online Motorhomes

Motorhomes Republic is the #1 global online motorhome rental site offering consumers the ability to book a motorhome from any of over 450 suppliers across 38 countries.

Operating in 8 languages and a vast array of currencies, the business is focused on targeting growth in the global "independent traveller" segment.

As at 1H20, Motorhomes continued to demonstrate strong booking, TTV and revenue growth driven by continued success in Northern Hemisphere markets which represented the greatest volume of bookings. New Zealand was the #1 destination.

Online Car Rentals

Airport Rentals is a global car rental site, ranking #2 in Australia and New Zealand with a strong affiliate program. It also provides the car hire white label website for the Webjet OTA.

Airport Rentals has contracts with all major global suppliers globally with pick-ups in over 50,000 locations in more than 200 countries. The Airport Rentals website is supported in 10 languages.

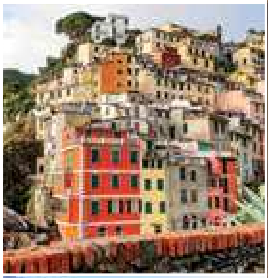
As at 1H20, Cars continued to see strong booking, TTV and revenue growth as well as increased mobile booking conversions. Australia remained the major booking destination.

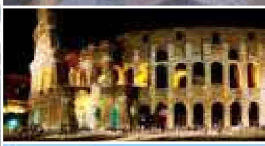
Post COVID-19

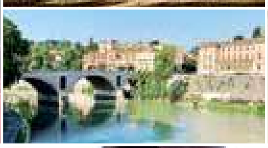
Both Motorhomes and Cars bookings fell significantly following the arrival of COVID-19. Since then, the key focus has been on reducing operating costs while waiting for travel markets to reopen.

Similar to the Webjet OTA business, Cars and Motorhomes are preparing for a domestic led tourism industry given the relaxing of COVID-19 travel restrictions within Australia and New Zealand in June 2020.

The Cruise business has been underperforming for some time and coupled with issues associated with cruise travel given COVID-19, that business was wound up in April 2020.







Webjet staff holiday photos

Directors of the Company

Roger Sharp

- BA LLB
- Appointed 1 January 2013

Independent
Non-Executive Chairman

Member of Risk Committee

Roger has global experience as an investor, advisor, and chair. After working for ABN AMRO Bank as CEO of Asia Pacific Securities and Global Head of Technology, he founded technology investment bank North Ridge Partners. Roger is also Deputy Chair of Tourism New Zealand and chairs Geo Limited (NZX: GEO).

John Guscic

- BEc, Executive MBA
- Appointed 25 January 2006

Managing Director
from February 2011

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

Shelley Roberts

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

Independent
Non-Executive Director

Member of Audit Committee
Member of Remuneration
& Nomination Committee

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

Brad Holman

- BCom
- Appointed 19 March 2014

Lead Independent
Non-Executive Director

Chairman of Remuneration & Nomination Committee
Member of Audit Committee

Brad has over 20 years' experience working in and providing services to the travel industry, including President for Travelport's Asia Pacific, Europe, Middle East, and African Operations. Brad more recently was the President for International Markets for Blackbaud a NASDAQ listed software and services company specifically focused on serving the non-profit community. He was responsible for developing and leading the company's international business strategy and new market entry. Brad left Blackbaud in November 2015 after serving five years in the role.

Toni Korsanos

- BEc, CA, GAICD
- Appointed 1 June 2018

Independent
Non-Executive Director

Chair of Audit Committee
Member of Risk Committee

Toni has over 20 years' experience in financial and general management. Most recently Toni was the Chief Financial Officer and Company Secretary of Aristocrat Leisure Limited. Toni brings to the Board extensive experience in technology, finance, strategy, mergers and acquisitions, risk management and financial and regulatory compliance. Toni is also a Member of Chief Executive Women and a Non-Executive Director of Crown Resorts Limited and Treasury Wine Estates Limited. Toni was previously a Non-Executive Director of Ardent Leisure Group Limited.

Don Clarke

- LLB (Hons)
- Appointed 10 January 2008

Deputy Chairman
Independent Non-Executive Director

Chairman of Risk Committee
Member of Remuneration & Nomination Committee

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

Dear Shareholder

Your Directors present their report on the Consolidated Entity consisting of Webjet Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020. For the purposes of this Directors' report, the terms "Company" and "Webjet" refer to Webjet Limited and "Group" and "Consolidated Entity" refers to Webjet Limited and its consolidated entities.

Directors

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

- Roger Sharp, Chairman
- John Guscic, Managing Director
- Don Clarke
- Brad Holman
- Shelley Roberts
- Toni Korsanos

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

Company Secretary

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

Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2020, and the numbers of meetings attended by each Director were:

	Directors' meetings		Meetings of committees: Audit		Remuneration & Nomination		Risk management	
	A	B	A	B	A	B	A	B
Roger Sharp	14	14					4	4
John Guscic	14	14						
Don Clarke	14	14			2	2	4	4
Brad Holman	14	14	6	6	2	2		
Shelley Roberts	14	14	6	6	2	2		
Toni Korsanos	14	14	6	6			4	4

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

Principal activities

The principal activity of the Consolidated Entity is the online sale of travel products, including flights and hotel rooms. The Group's business consists of a B2C division (Webjet OTA and Online Republic) and a B2B division (WebBeds). Refer to pages 14 to 21 for an overview of the Group.

Key events during the period

(i) Thomas cook compulsory liquidation
On 23 September 2019, Thomas Cook, a customer of the WebBeds business, entered compulsory liquidation. This resulted in the loss of future total transaction value (TTV) expected to be earned during the period, and write-off of $44 million in unpaid receivables. There was no impact on the more than 3,000 hotel contracts Webjet acquired from Thomas Cook in August 2016, which are wholly owned by WebBeds and whose associated inventory remains available for sale to all WebBeds customers.

(ii) COVID-19 pandemic
COVID-19 pandemic and the associated government-imposed travel restrictions resulted in a material escalation in cancellation rates of near-term travel and a significant reduction of overall travel activity. As a result, notwithstanding a record-breaking first half performance, revenue in the second half was nominal resulting in trading losses for the period.

In addition, the onset of COVID-19 led to a review of the profitability and long-term sustainability of the existing businesses, resulting in the closures of Online Republic Cruise and Webjet Exclusives. These closures had no adverse impact on customers who were issued with refunds in the form of gift vouchers.

The pandemic has adversely impacted the entire travel industry and the short-term liquidity difficulties faced by our customers required a detailed review of credit terms, credit policies and recoverability of overdue balances. This resulted in a write-off of $40 million in overdue receivables that were assessed as non-recoverable.

The Group has implemented interim cost reduction initiatives to help mitigate the near-term financial impact of COVID-19. The Group's liquidity and cash position have been enhanced by the capital raising undertaken and Notes[1] issuance noted below.

(iii) Capital raising
To strengthen the Group balance sheet in light of the detrimental impact of COVID-19, the Group undertook an equity raising by way of a fully underwritten institutional placement ("Placement") and 1 for 1 accelerated prorata, non-renounceable entitlement offer ("Entitlement Offer") and raised $346 million at an offer price of A$1.70 per New Share. This was completed in April 2020.

Financial Results

	2020 $m	2019 $m	Change $m	Change %
Total transaction value	3,020.8	3,831.2	(810.4)	(21%)
Revenue	**266.1**	**366.4**	**(100.3)**	**(27%)**
Revenue margin	8.8%	9.6%		(76bps)
Operating expenses, net of other income	(239.7)	(241.7)	2.0	(1%)
EBITDA before non-operating expenses	**26.4**	**124.7**	**(98.4)**	**(79%)**
EBITDA margin	9.9%	34.0%		large
Non-operating expenses	(117.7)	(1.6)	(116.1)	large
Depreciation and amortisation	(27.0)	(17.0)	(10.0)	59%
Acquisition amortisation	(24.6)	(19.0)	(5.6)	29%
Net interest costs	(15.9)	(12.4)	(3.5)	28%
Profit before tax	**(158.8)**	**74.7**	**(233.5)**	**(313%)**
Taxation benefit/(expense)	15.3	(14.4)	29.7	(206%)
Net (loss)/profit after tax (NPAT)	**(143.5)**	**60.3**	**(203.8)**	**(338%)**
NPAT A (before acquisition amortisation)	(118.9)	79.3	(198.2)	(250%)

In 1H20, the Group realised record earnings driven by B2B. WebBeds cemented its position as the fastest growing and clear #2 global B2B player, with the "8/4/4 profitability target" tracking ahead of plan. The B2C business remained resilient in the face of market challenges.

2H20 was significantly impacted by the COVID-19 pandemic which resulted in government imposed travel restrictions in place around the world. This led to a significant decline in revenue across all businesses, material escalation of cancellations of near-term bookings and a reduction in overall travel booking activity. Nominal Total Transaction Value (TTV) and revenue were reported from March 2020.

TTV, revenue, earnings before interest tax, depreciation, and amortisation (EBITDA) and net profit/(loss) were significantly lower than the previous corresponding period (PCP). Refer to pages 6 to 7 for further commentary on operating performance.

Non-operating expenses were $118 million for the period. This was made up of (i) a $44 million Thomas Cook receivables write off after it entered compulsory liquidation in September 2019, (ii) a $40 million receivables write off relating to long outstanding receivables assessed as non-recoverable due to liquidity issues faced by customers in the travel vertical; (iii) a $15 million expense from closure of Webjet Exclusives; (iv) a $20 million intangible write off arising from closure of the Online Republic Cruise and Exclusives businesses; (v) a $3 million non-cash expense from the cancellation of LTI plans that were out of the money due to the impact of the pandemic in travel company share prices; (vi) a $10 million in restructure and redundancy costs incurred to reduce cash operating costs. These costs were partially offset by a net fair value gain from accounting adjustments of $11 million and government subsidies received in the period of $3 million.

Net interest costs increased 28% due to the full year impact of interest costs on the $100 million loan used to acquire DOTW, and hedging costs increased due to the increase in TTV in 1H20.

Due to the losses incurred during the year, the Group is in a tax benefit position.

1. Issuance of cash settled notes based on $4.09 conversion price at a coupon of 2.5% for a 7 year term.

Financial position

A number of measures were instigated to mitigate the impact of COVID-19, namely c.50% reduction in costs and strengthening the balance sheet with a $346 million capital raising in April 2020 and the issue of $163 million (€100 million) Notes in July 2020. These measures will position the Group well when the current travel restrictions are lifted and travel resumes.

	2020 $m	2019 $m	Change $m
Cash and cash equivalents	209.6	211.4	(1.8)
Trade and other receivabes	74.5	368.1	(293.6)
Intangible assets	870.5	907.4	(36.9)
Other non-current assets	60.9	34.8	26.1
Total assets	**1,215.5**	**1,521.7**	**(306.2)**
Trade and other payables	97.0	540.6	(443.6)
Other current liabilities	65.9	57.3	8.6
Borrowings	186.9	205.9	(19.0)
Other non-current liabilities	60.6	73.7	(13.1)
Total liabilities	**410.4**	**877.5**	**(467.1)**
Net assets	**805.1**	**644.2**	**160.9**
Share capital	847.4	510.8	336.6
Retained earnings and reserves	(42.3)	133.4	(175.7)
Total equity	**805.1**	**644.2**	**160.9**

The net capital raising proceeds of $334 million strengthened the Group's cash position at 30 June 2020 and negated the impact of the decrease in earnings, net working capital deficit unwind, dividend payment (FY19 full year dividend paid in September 2019), capital expenditure and borrowings repaid in the year. Subsequent to year-end, the cash position has been further strengthened by the proceeds from the July 2020 Notes issue of $163 million, of which $50 million was used to retire a portion of the existing borrowings.

At 30 June 2020, the net debt position was positive $23 million (excess cash) and available liquidity of the Group stood at $350 million (including undrawn overdraft facilities of $140 million).

The net working capital position decreased from negative $173 million to negative $22 million due to nominal trading in 2H20. The decrease in intangible assets is due to the $20 million write off related to the closure of the Online Republic Cruise and Webjet Exclusives, and current year amortisation which was partially offset by $27 million of additions (all related to internal booking platforms).

Other non-current assets comprise property, plant and equipment, deferred tax assets and related party loans. These have increased mainly due to recognition of deferred tax assets on current year losses incurred, and the recognition of the right of use assets on adoption of the new leasing standard.

Other current liabilities increased due to deferral of the 1H20 interim dividend payment, initially to October 2020, and now further deferred to April 2021, and gift vouchers issued to customers as compensation for tour cancellations brought about by travel restrictions due to the COVID-19 pandemic.

Non-current liabilities mainly comprise deferred tax liabilities, cross currency swap liabilities, put and call option liability and lease liabilities recognised on adoption of the new leasing standard.

Dividend

In February 2020, the Company declared a 1H20 interim dividend of 9 cents fully franked (1H19: 8.5 cents) which was due to be paid in April 2020. Following the onset of COVID-19, payment of the interim dividend was initially deferred until October 2020. In light of ongoing market uncertainty, payment has been further deferred to April 2021. No final dividend was declared for FY20.

Material business risks

Webjet is exposed to a range of economic, business, and social sustainability risks and seeks to mitigate any material exposures to its operations through a range of measures aligned with its risk management framework. Key economic, business, and social sustainability risks include:

Economic risks

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

Business and social sustainability risks

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

There are various structures and procedures in place to manage the Company's key risks. The Risk Committee meets regularly, including with members of the senior management team, to review the material risks faced by the Webjet Group and the business practices and processes in place to minimise these risks or their impact (if a material adverse event or issue should occur). Every effort is made to identify and manage material risks, however additional risks not currently known or listed above may also adversely affect future performance.

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

COVID-19 pandemic

- The COVID-19 pandemic has materially affected, and may continue to adversely impact, the Group's business and financial performance for the foreseeable future. To mitigate the risks that are posed by business disruption, the Group executed cost reduction measures which resulted in a c.50% reduction in costs compared to pre-COVID levels. The Group further strengthened the Group's cash reserves by undertaking a $346 million capital raise in April 2020 and issuing a €100 million (A$163 million) Notes in July 2020. The combination of cost reduction measures and additional cash is expected to sustain the Group through the pandemic.

Economic risks

- Webjet understands that travel, like all businesses, is subject to key economic risks such as GDP growth, recession, consumer confidence, interest rate and currency movements. Notwithstanding these risks, the Company considers that the online travel industry is experiencing a positive, long term secular growth trend resulting from an ageing population, the product and price discovery available via the Internet, and the relatively low real pricing of travel products in today's environment. Webjet offers its customers a suite of global destinations and related products, which enables it to respond to changes in demand based on changing economic conditions. Further, diversification in its B2B and B2C business provides a hedge against economic, climatic, and related risks. The WebBeds business operates in several markets around the world, some of which are facing political and economic instability which could impact demand for the Company's products or people's willingness to travel in those markets. Webjet continues to diversify and grow its global source and distribution markets to minimise reliance on any singular market or product range.

Further details as to how the Company seeks to manage key environmental, social and governance risks impacting its business are set out in the Sustainability Statement.

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

Subsequent events

(i) Notes offering and $50 million debt repayment

On 1 July 2020, the Group launched €100 million (A$163 million) 2027 Cash-settled Notes ("the Notes") which settled on 9 July 2020. The net proceeds from the Notes after deduction of commissions, professional fees, and other administrative expenses, were used to repay $50 million of the Group's existing term debt. In addition, the maturity of the remaining term debt has been extended to November 2022. The remainder of the proceeds will be used for ongoing capital management and potential future acquisitions.

(ii) Debt covenants

In August 2020, the Group's existing lenders consented to a waiver of certain financial covenants for the period 30 June 2021. The covenant test will be done at 30 September 2021, 31 December 2021, 31 March 2022 and 30 June 2022 and will be based on annualising the EBITDA for the period commencing 1 July 2021. The minimum liquidity requirement during the waiver period will be $125 million.

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

Likely developments and expected results of operations

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

Environmental regulation

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

Insurance of officers and indemnities

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

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

Indemnity of officers and auditors

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

Non-audit fees

Non-audit services that were provided during the current or prior year by the auditor are set out in note 1.5 of the financial report.

The Directors have considered the position and, in accordance with advice received from the Audit Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 1.5 of the financial report, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 29.

Rounding of amounts

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

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

On behalf of the Directors

Roger Sharp
Chairman
Melbourne,
19 August 2020

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne VIC 3000

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

19 August 2020

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

Dear Board Members

Webjet Limited

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

As lead audit partner for the audit of the financial statements of Webjet Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants

Remuneration Report

Dear Shareholders,

On behalf of the Board of Directors, I present Webjet's Remuneration Report for the financial year ended 30 June 2020.

Firstly, I would like to take this opportunity to publicly thank Don Clarke, my predecessor as Chairman for the Remuneration and Nomination Committee, who is stepping down from the role and has done an excellent job in establishing and overseeing Webjet's remuneration framework.

We are acutely aware of the pain that our shareholders and the broader community have suffered as a result of the COVID-19 pandemic. Indeed, Webjet, as a leading company in the online travel sector, is particularly impacted. With stringent restrictions on travel and the uncertainty of when things will return to normal, there is understandably a reduction in overall travel booking activity. Webjet has taken steps to mitigate the impact of COVID-19 by implementing cost reduction measures which have unfortunately resulted in the loss of a number of roles. Additionally, the Executives and Board of Directors have agreed to the following changes in their remuneration for FY20 (some of which will flow into FY21):

- A cut of 60% to fixed annual remuneration (FAR) for the Managing Director from March 2020 until December 2020;
- The cancellation of the FY20 STI plan;
- Board base fee reduction of 20% from March 2020 until December 2020;
- Cuts of 20% to FAR for the Executive KMP until September (which was previously announced as being until June 2020, but has now been extended as we start to understand the full effect of COVID-19); and
- The cancellation of all LTI grants on foot.

Notwithstanding these changes, we have reported the details of the grants made and indicative performance outcomes that would have arisen under those grants had they not been cancelled.

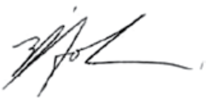
For FY21, the Board is in the process of undertaking a review of the remuneration framework to find alternative incentive arrangements that align with the Company's substantially changed circumstances and the steps that will be required if the Company is to position itself to capitalise on the opportunities that arise as businesses globally rebound from COVID-19, as well as to ensure that key talent is motivated and retained over the recovery period. We will announce the outcomes of that review when it is completed.

In more positive news, as announced earlier in the year, we are pleased that the Managing Director has agreed to the extension of his contract from June 2021 to June 2023. In that same announcement, as foreshadowed in the FY19 Remuneration Report (and before COVID-19), the Managing Director's remuneration was increased substantially, which is a reflection of his salary having been frozen for three years, the expanding scope of his role and Webjet's outstanding growth during that time. Notwithstanding the increase, in March 2020, the Managing Director agreed to a 60% reduction in his fixed remuneration, which will remain in place until December 2020. At that time, a decision will be made on whether to revert to the agreed FAR. Further detail can be found in section 4(b) of this report.

As a closing remark, while there have certainly been extreme and unforeseen challenges placed on Webjet and its leadership, the Board is confident that the decisions with respect to remuneration and the workforce it has made to date are the correct decisions to preserve and maximise shareholder returns going forward.

We thank you for your support and look forward to welcoming you to our AGM.

Yours sincerely



Brad Holman

Chairman, Remuneration and Nomination Committee

Contents

1. Introduction

We are pleased to present the Remuneration Report for FY20.

This Remuneration Report has been prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (Act) and the applicable Corporations Regulations. The Report outlines the Company's overall remuneration strategy for the year ended 30 June 2020 and provides detailed information on the remuneration arrangements for Key Management Personnel ("KMP"), being those people who have the authority and responsibility for planning, directing and controlling the company's activities, either directly or indirectly, including any Director.

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

2. KMP for 2020

The tables below shows all the KMP covered by the FY20 Remuneration report:

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

Executive Director		Term
John Guscic	Managing Director	Full year

Executives[(1)]		Term
Shelley Beasley	Group Chief Commercial Officer	Full year
Tony Ristevski	Chief Financial Officer & Company Secretary	Full year

(1) Graham Anderson was no longer considered to meet the definition of a KMP from 1 July 2019. However, he retains his position as Chief Information Officer.

3. Executive KMP remuneration philosophy, principles and components

a. Philosophy

Remuneration has an important role to play in driving the culture within Webjet and in supporting the implementation and achievement of Webjet's strategy for the growth of its business and aligning the interests of shareholders with that of all our employees.

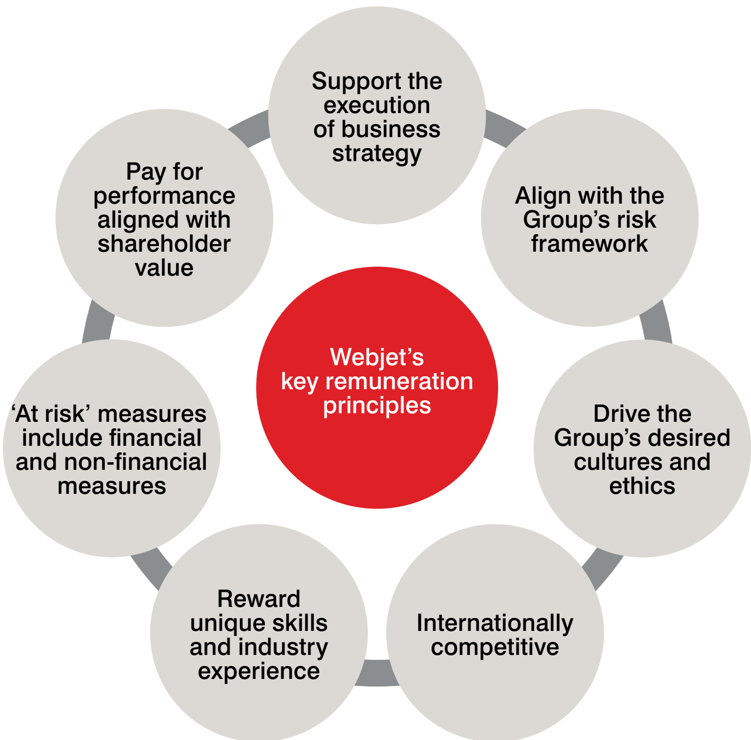
The Group's Executive KMP remuneration is designed to attract, retain, and motivate a highly qualified and experienced management team with the necessary skills and attributes to lead the Group in achieving its business objectives. Additionally, remuneration needs to promote the desired culture and business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

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

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

b. Principles

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



c. Remuneration components

How was remuneration structured for FY20?			
Webjet's FY20 remuneration structure was designed with four distinct purposes in mind			
First, it has to support the implementation and achievement of the company's overall strategy.	Second, the remuneration structure has to attract, motivate, and retain the talent required to drive the long-term success of the Company's business.	Third, remuneration must be reasonable and align the interests of management and shareholders.	Fourth, the remuneration structure has to promote the desired behaviours, culture, and ethics across the Company, particularly in the context of excellence and customer service

Remuneration Component	Fixed Annual Remuneration (FAR)	Short Term Incentive (STI)	Long Term Incentive (LTI)
Objective	Attract and retain the best talent	Reward current year performance	Reward performance aligned with long term strategic goals and performance
Purpose	Base salary is broadly aligned with: • The salaries for comparable roles in both Australian and global companies of similar global complexity, size, reach and industry; and • Each Executive KMP's responsibilities, location, skills, performance, qualifications, and experience.	The purpose of STI is to focus the efforts of the Executive KMP on those performance measures and outcomes that reflect the Group's strategy, and which deliver performance at, or above, stretch performance objectives in the relevant financial year.	The purpose of the LTI is to focus the efforts of the Executive KMP on the achievement of sustainable long-term value creation for the Group and the shareholders.
Weighting (at maximum)	• MD: 44% • Executive KMP: 49%	• MD: 32% • Executive KMP: 24%	• MD: 24% • Executive KMP: 27%

d. Share ownership

Although the Company does not have a prescribed minimum shareholding requirement for Executive KMP, we encourage all Executive KMP to have a meaningful shareholding in Webjet (supported by awards under our LTI plan being granted entirely in equity) to ensure alignment with shareholders and encourage an 'ownership' mindset (noting that the Managing Director holds a significant number of shares in Webjet).

4. FY20 Executive KMP remuneration

a. Summary

The remuneration details provided in this section reflect the arrangements that were agreed at the beginning of the financial year.

This includes the changes made prior to COVID-19 as previously announced in last year's remuneration report and by way of a separate ASX announcement (e.g. pay rise for the Managing Director), and during COVID-19 (the salary cuts and cancellation of incentive plans), as outlined in the Chairman's letter. Key details include:

- A cut of 60% to fixed annual remuneration (FAR) for the Managing Director from March 2020 until December 2020;
- The cancellation of the FY20 STI plan;
- Board base fee reduction of 20% from March 2020 until December 2020;
- Cuts of 20% to FAR for the Executive KMP until September (which was previously announced as being until June 2020, but has now been extended as we start to understand the full effect of COVID-19); and
- The cancellation of all LTI grants on foot.

In light of the Company's changed circumstances, as foreshadowed earlier in this Report, the Board is undertaking a review of the executive remuneration framework so as to put forward revised arrangements reflective of these changed circumstances that will not only motivate and retain key talent, but also align their interests with that of shareholders. The Board will announce the outcomes of that review as soon as it is able.

b. Executive KMP remuneration components

Fixed Annual Remuneration ("FAR")	
Description	A competitive base salary is paid to attract and retain high-quality and experienced Executive KMP.
Approach	Base salary is broadly aligned with the salaries for comparable roles in both Australian and global companies of similar global complexity, size, reach and industry; and each Executive KMP's responsibilities, location, skills, performance, qualifications, and experience.
COVID-19 Adjustment	The MD received a previously announced pay increase in FY20 prior to COVID-19. Due to the pressures that COVID-19 put on the travel industry, the Managing Director agreed to a 60% pay cut from March 2020 until December 2020. The Executive KMP also agreed to a 20% reduction in FAR for the period of March to June, which has since been extended to September 2020 (due to the continued impact of COVID-19).
Reviews	Base salaries are reviewed annually (with effect from 1 July each year). Reviews are informed, but not led, by benchmarking to comparable roles, changes in responsibility and general economic conditions. In the FY19 Remuneration Report, it was disclosed that the Managing Director received an increase in FAR effective 1 July 2019. The COVID-19 adjustments that applied to the CEO and Executive KMP are outlined above. The other Executive KMP did not receive any pay increases in FY20.

Short Term Incentive ("STI")	
COVID-19 Adjustment	**STI awards were cancelled for all Executive KMP in FY20 meaning the MD and Executive KMP received no amounts under the STI.** The details in this section relate to the grant that was cancelled (as opposed to any separate grant) and are provided for compliance and transparency purposes.
Description	Eligible Executive KMP participate in the annual STI plan, which puts a proportion of remuneration 'at risk'. The STI performance measures focus the efforts of the Executive KMP on those performance measures and outcomes that reflect the Group's strategy and which deliver performance at or above stretch performance objectives in the relevant financial year.
Performance period	1 year
Opportunity	Managing Director: 35% to 73% of FAR Executive KMP: 15% to 50% of FAR
Delivery	Cash

Short Term Incentive ("STI")

Performance measures

The measures and weightings for the Managing Director's STI for FY20 were as follows:

Measure	Weighting	Rationale for measure	Vesting Schedule
TSR	Gateway	A TSR gateway ensures that Executive KMP and the interests of shareholders are aligned.	The TSR for Webjet for FY20 must exceed the median TSR of all entities in the S&P/ASX 200 Index over the prior 24 months period (excluding resource companies and listed property trusts).
EBIT	68%	The use of EBIT (which is set by way of an annual target number) in the STI is appropriate for Webjet because it provides annual goals for the Managing Director having regard to the conditions in the market as they present themselves from year to year. This is distinct from the use of EBITDA in the LTI which measures the sustained growth of EBITDA over the long term and rewards outperformance against our peers. The EBIT target requires achievement of a 'stretch' target (120% of the respective EBIT budget is required before an Executive KMP is entitled to full payment of the financial component of his/her STI). The EBIT target drives and rewards the right behaviours while aligning with shareholders' interests.	<90% of EBIT = nil 90% – 99% of EBIT = 25% of FAR plus a further 0.5% of the FAR for each 1% EBIT exceeds 90% 100% – 119% = 30% of FAR +1% of FAR for each 1% the continuing EBIT exceeds 100%. ≥120% = 50% of FAR The EBIT target for FY20 was $110.1 million
Individual non-financial KPIs	32%	The Managing Director had 5 non-financial KPI's for FY20 as outlined below: 1. Cash conversion: For the FY20 year, >95% 2. Product and IT innovation: At least one contract entered into in FY20 with an external third party for the use by it of Rezchain, with that contract resulting in revenues for the Group in FY20 (or within the initial 12 months of the date of that contract) of in excess of $100,000. 3. New business development: Acquire or invest (>$5M) in one or more companies that supports the defined strategic goals of WEB. 4. Progress on 8/4/4: The maximum sum of $70,000 allocated to this benchmark will be allocated to the Executive in accordance with the following scale: EBITDA Margin (WebBeds Business) % allocation • < 36.5% Nil • 36.5% to 37.69% 20% • 37.7% to 38.89% 40% • 38.9% to 40.09% 60% • 40.1% to 41.19% 80% • 41.2% or more 100% 5. Brand, reputation and customer service: No material scandal, data breach or other event occurs which is within the control of the Company and, in the reasonable opinion of the Board, is likely to result in the Company's customers questioning their ability, capacity or desire to remain as customers of the Group or otherwise to work with the Company.	Maximum of $350,000

Short Term Incentive ("STI")

Performance measures

The measures and weightings for Executive KMP (excluding Managing Director) STI for F20 were as follows:

Measure	Weighting	Rationale for measure	Vesting Schedule
EBIT	86%	The use of EBIT (which is set by way of an annual target number) in the STI is appropriate for Webjet because it provides annual goals for the Executive KMP having regard to the conditions in the market as they present themselves from year to year. The STI now uses an EBIT measure, set by way of an annual target number. This provides an annual goal for Executive KMP and differs from the EBITDA LTI measure which is more focussed on sustained growth of EBITDA in comparison to Webjet peers.	<90% of EBIT = nil 90% – 99% of EBIT = 25% of FAR plus a further 0.5% of the FAR for each 1% EBIT exceeds 90% 100% – 119% = 30% of FAR +1% of FAR for each 1% the continuing EBIT exceeds 100%. ≥120% = 50% of FAR The EBIT target for FY20 was $110.1 million
Individual non-financial KPIs	14%	Non-financial KPI's and weightings are unique to each Executive KMP. This year they were customer service, cost management, brand reputation, customer retention, market share, product and IT innovation and delivery and quality outcomes. Non-financial measures are set to drive the right behaviours and reward delivery of the Group's strategy and the creation of shareholder value.	Maximum of 14%

It will always be the case that specific financial measures constitute around 50% weighting for the STI benchmarks of Executive KMPs.

Cessation of employment

If employment ceases before the performance is assessed, the MD will receive up to 1/3 of STI if cessation occurs in first 6 months of the financial year, and 2/3 of STI if cessation occurs in the second 6 months of the financial year, subject to performance against KPI's. Other Executive KMP forego any STI payments which would have otherwise been available.

Clawback

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

The Board intends to generally review the clawback provisions over the coming year to ensure that they are fit for purpose and consistent with best practice.

Discretion

The STI is subject to the overarching discretion of the Board to adjust outcomes upward or downward when the Board deems appropriate.

Managing Director's Long-term Incentive

COVID-19

The Managing Director's LTI grant that vested in September 2018 and 2019 but remained unexercised, and the LTI that would have vested in September 2020, has been cancelled meaning the MD will receive no value under the LTI.

As such, the details in this section relate to grants that were cancelled (as opposed to any separate grant) and are provided for compliance and transparency purposes.

Description

As part of the three-year extension to the Managing Director's employment contract in September 2017, a request for the approval of options to be issued to the Managing Director was approved by the Shareholders at the Annual General Meeting on 22 November 2017.

These options, together with the options previously approved in 2013, constitute the LTI component of the MD's remuneration and are an important part of ensuring the continuity of Webjet's current leadership.

Opportunity

Shareholders approved the grant of 3,000,000 options to the Managing Director at the Annual General Meeting on 22 November 2017. The Managing Director does not receive dividend entitlements on options, unvested or vested

Payment

Subject to satisfaction of the vesting conditions below, the options granted to the Managing Director were to vest in three equal tranches of up to 1,000,000 options each as detailed below:

- Tranche 1 – 787,362 options vested on 30 September 2018 at an exercise price of $12.50 per share.
- Tranche 2 – 767,783 options vested on 30 September 2019, at an exercise price of $14 per share (which has been cancelled); and
- Tranche 3 of up to 1,000,000 options will vest on 30 September 2020, at an exercise price of $16 per share (which has been cancelled).

This one year vesting schedule is appropriate where the Managing Director is employed by way of a fixed term contract and there being a need for vesting throughout the term of that contract in order for the remuneration provided to mirror that of an on-going contract and remain competitive.

In FY21, as the Managing Director's contract has been extended, a new LTI arrangement will be put in place. Once the Board has determined what this will entail, details will be provided.

Performance measures

A: Webjet TSR Hurdle

Vesting of 50% of the option of each tranche (i.e. 500,000 options) is conditional upon the Webjet TSR growth achieving the upper quartile of the median of the S&P ASX 200 TSR growth (TSR benchmark) for the relevant year. If Webjet's TSR growth for the relevant year does not reach the TSR Benchmark, the following will apply:

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

For the purposes of this performance hurdle, the median S&P ASX 200 TSR Growth is the median of the TSR growth rate of all companies that make up the S&P ASX 200 Index on the first day (1 July) of the relevant financial year, excluding banks, resource companies and listed property trusts.

B: Webjet EBITDA Hurdle

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

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

For the purposes of this performance hurdle, the S&P ASX 200 EBITDA Growth is the average EBITDA growth rate of all companies that make up the S&P ASX 200 Index on the first day (1 July) of the relevant financial year, excluding banks, resource companies and listed property trusts.

No options will vest in respect of the TSR or EBITDA hurdles if Webjet TSR or EBITDA growth (as the case may be for the relevant hurdle) is negative.

Board Discretion	In determining the Company's actual EBITDA Growth across the performance period, the Company reserves the right to adjust the outcome where appropriate for acquisitions and/or disposals or other events/circumstances which may unreasonably skew the outcome or may result in a flawed comparison.
Cessation of employment	If a participant ceases to be an eligible employee prior to their Options vesting by reason of death, total and permanent disablement, retirement, or redundancy the Board may, in its discretion: • waive the vesting conditions and determine that some or all of the Options have vested; or • allow the participant to continue to hold some of their unvested Options subject to the same vesting conditions (except for continuity of service). Otherwise, if the participant ceases to be an eligible employee for any other reason before the Options have vested, their Options will lapse.
Clawback	If, in the opinion of the Board, options vest or may vest as a result of certain activities such as fraud, dishonesty or gross misconduct, or breach of duties or obligations, the Board may determine that the options or shares held by a participant will lapse or be forfeited, and/or that the participant must pay or repay as a debt the proceeds from the sale of shares allocated under the plan. This also applies to manifest error, where the participant acts in a manner that adversely impacts the reputation and/or standing of Webjet, breach of employment agreement or occurrence of an event which would otherwise entitle Webjet to immediately terminate the participant's employment.
Change of control	Subject to the Board's overriding discretion, unvested options granted to Executive KMP will, subject to the vesting conditions remaining capable of being satisfied at that time, vest in full on the occurrence of a change of control event (e.g. a takeover or scheme of arrangement) in respect of the shares of Webjet.

Executive KMP Long Term Incentive ("LTI")

COVID-19

The LTI grant made in FY20 has been cancelled.

As such, the details in this section relate to the grant that was cancelled (as opposed to any separate grant) and are provided for compliance and transparency purposes.

Description

The LTI plan provides a long-term performance-based element to a participant's overall remuneration package. The LTI performance measures focus the efforts of the Executive KMP on the achievement of sustainable long-term value creation for the Group and the shareholders.

Performance period

3 years

Opportunity

55% of FAR

Option grant

Eligible Employees are issued options under the LTI plan which are exercisable into fully paid ordinary shares in the capital of the Company if the applicable vesting conditions are satisfied within the set vesting period. The exercise price for the options granted in FY20 was $14.33 per option and the exercise period was 24 months from the date of vesting. Participants do not receive dividend entitlements on options, whether unvested or vested.

Performance measures

The options granted in FY20 are subject to the performance measures outlined below.

TSR CAGR (opportunity of 30% of FAR)

Gate: Company's TSR must be positive.

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

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

EBITDA CAGR (opportunity of 25% of FAR)

Gate: Positive EBITDA growth.

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

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

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

In setting the vesting schedule, Committee considered the measures to be robust and the targets were set to be adequately stretch although achievable, therefore drive and reward the right behaviours whilst aligning the shareholder's interests.

The Committee retains discretion to add further performance measures to supplement the existing relative TSR performance condition, to ensure that the performance conditions continue to support operational excellence, risk management and the execution of the Group's strategy.

Board discretion, cessation of employment, change of control and clawback

As outlined above in the LTI grants for the Managing Director.

c. One-off Executive Retention Options granted in FY2019

Executive KMP received a one-off grant of Retention Options in FY2019. Full details were disclosed in the 2019 Remuneration Report. The Retention Options were provided to retain the executive team recognising retention of the team was essential to drive growth in the company and value for shareholders. The Options had an exercise price of $11.97 and vested subject to the executive remaining in employment until 1 December 2022.

In FY20, the Board determined that all Retention Options would be cancelled. A replacement plan is currently being contemplated.

The Board remains committed to retaining the executive team which will be essential if the Company is to position itself to capitalise on the opportunities that arise as businesses globally rebound from COVID-19.

5. Outcomes in FY20

a. Company performance

The following table provides details of important performance metrics, including TTV (which drives revenue), EBITDA performance (which captures operational earnings), asset growth and TSR (which reflects how shareholders have fared) over the previous 5 financial years. These metrics (particularly EBITDA performance and relative TSR performance) are also directly linked to the incentive components of KMP remuneration, as the Company understands the importance of aligning shareholder interests with the Executives.

During 2020, the COVID-19 pandemic has materially and adversely impacted global travel and consequently all travel-based businesses, leading to the erosion of shareholder value, visible from the negative FY2020 metrics below. Management have implemented a variety of measures, not only to mitigate the adverse impacts experienced, but also to recover and build on market leading positions and surpass shareholder value.

Table 1: Company Performance FY16 – FY20

	Growth v 2019	Five year CAGR	FY20	FY19	FY18	FY17	FY16
Financial Metrics ($m)							
Total Transaction Value	(21%)	13%	3,021	3,831	3,012	2,043	1,630
EBITDA	(79%)	n.m	26.4	124.6	86.3	69.9	36.6
NPAT	(338%)	n.m	(143.5)	60.3	41.5	52.4	21.3
Assets	(20%)	26%	1,216	1,522	1,084	493	386
Market capitalisation	(39%)	12%	1,125	1,847	1,593	1,195	640
Share Price ($)	(76%)	(14%)	3.32	13.62	13.45	12.18	6.99
Dividend per Share (cents)							
Interim	6%	4%	9.00	8.50	8.00	7.50	7.25
Final	(100%)	n.m.	0.00	13.50	12.00	10.00	7.25
TSR (%)	n.m	n.m.	negative	3%	12%	77%	148%
Directors Remuneration ($m)	13%	5%	0.69	0.79	0.57	0.56	0.53
Executive KMP Remuneration ($m)	(16%)	4%	3.87	4.63	4.26	4.19	3.25

n.m. – not meaningful

b. Remuneration outcomes

Given the impacts of COVID-19 on the business and shareholder value, the following measures were implemented by the Board relating to remuneration:

- Decrease in Managing Director salary by 60% from 1 March 2020 to at least 31 December 2020
- Decrease in Directors from 1 March 2020 to at least 31 December 2020
- Decrease in KMP salaries from 1 March 2020 to at least 30 September 2020
- Cancellation of the STI awards for the current year, and all unvested or unexercised LTI.

c. Remuneration for FY20

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

Table 2: KMP remuneration – FY20 and FY19

No LTIs vested for Webjet in FY20. The share-based payment expense in FY20 as outlined below includes the value associated with the cancellation of the LTI plans previously on foot. Any apparent increase or vesting in the share-based payments expense is a result of accounting standards and is not reflective of the Executive's take-home pay. The only remuneration received by Executive KMP in 2020 was fixed remuneration – no STI or LTI vested, all unvested LTI and Retention Options were cancelled, and no new grants of LTI were made in FY20.

			Short term incentive							
	Year	Salary and fees	Financial KPI	Non-financial KPI	Share-based payments[1]	Post-employment benefits	Other[2]	Total	Cancellation of LTIs[3]	Total
		$	$	$	$	$	$	$	$	$
John Guscic	2020	1,245,574	–	–	108,408	20,417	133,785	1,508,184	–	1,508,184
	2019	850,000	435,625	100,000	625,295		75,812	2,086,732		2,086,732
Shelley Beasley	2020	533,980	–	–	170,484	21,409	44,318	770,191	476,736	1,246,927
	2019	517,862	156,877	26,737	188,218	16,871	44,318	950,883		950,883
Tony Ristevski	2020	452,165	–	–	185,646	25,000	21,008	683,819	433,396	1,117,215
	2019	454,166	140,575	23,958	114,864	25,000	40,725	799,288	–	799,288
Graham Anderson[4]	2020	–	–	–	–	–	–	–	–	–
	2019	439,397	130,742	22,282	152,295	6,250	37,510	788,476		788,476
Total	2020	2,231,719	–	–	464,538	66,826	199,111	2,962,194	910,132	3,872,326
	2019	2,261,425	863,819	172,977	1,080,672	48,121	198,365	4,625,379	–	4,625,379

(1) This reflects amounts expensed for accounting purposes, not amounts paid.

(2) Includes annual leave and long service leave expenses.

(3) The Board resolved to cancel all LTI awards that were unvested and not exercised at 30 June 2020. AASB 2 Share based payments requires the future expense that would have been incurred on these LTIs to be fully recognized upon cancellation.

(4) No longer considered a KMP from 1 July 2019.

6. NED fees

a. Remuneration policy and payment to Non-Executive Directors

There have been no changes to the Non-executive Directors fees for FY20. However, given the difficulties the Company has faced as a result of COVID-19, all Non-executive Directors agreed to a 20% reduction in fees from April to December 2020.

Webjet continues to pride itself on the ability to attract Directors of the highest caliber. The Non-executive Directors fees are competitive, whilst accounting for the responsibilities inherent in the stewardship of the Webjet Group and the demands made of Directors in the discharge of their responsibilities (including their participation in relevant Board committees, currently being the Remuneration and Nominations Committee, the Audit Committee and the Risk Committee).

Consistent with the above overriding philosophy, the overall fee cap for Non-executive Directors is capped at a maximum pool that is approved by the shareholders. The current fee pool remains at $850,000.

The Non-executive Directors fees prior to the reductions are as follows:

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

All fee levels will be reviewed annually, and any changes will be effective from 1 July. It is not proposed there will be any change in Board fees in FY21, although the fees actually paid to the Directors may return to pre COVID-19 levels, depending on the Company's circumstances.

Although we do not have a prescribed minimum shareholding requirement for our Non-executive Directors, we encourage all Non-executive Directors to have a meaningful shareholding in Webjet to ensure alignment with shareholders and encourage an 'ownership' mindset.

Table 3: Total Non-executive Director Remuneration

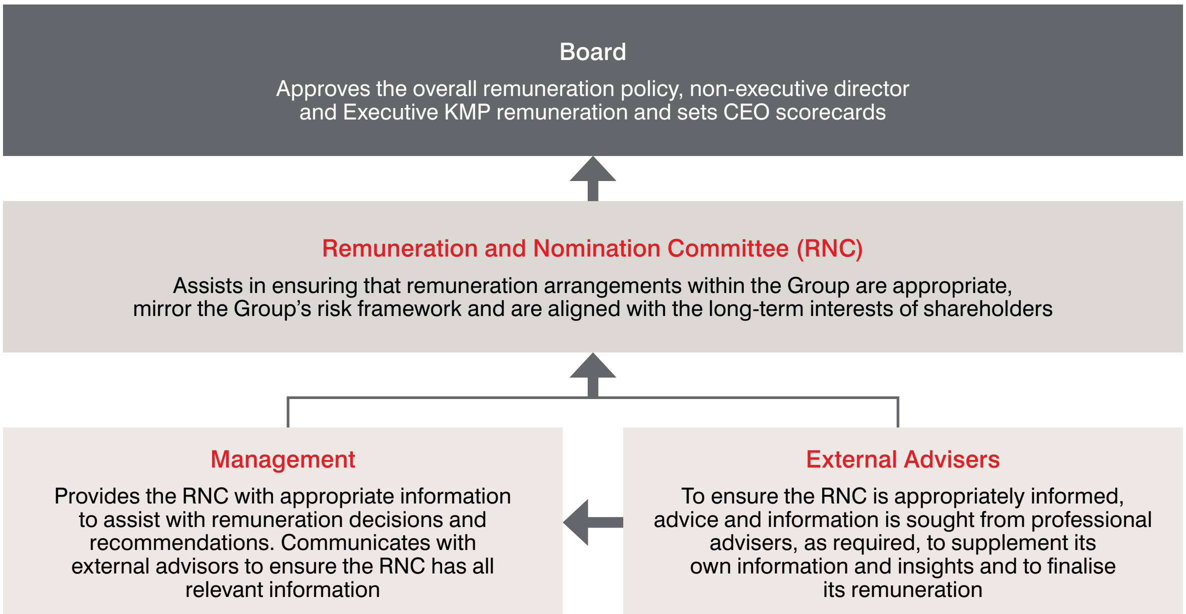
Non-Executive Director	Year	Salary and fees	Post-employment benefits	Total
		$	$	$
Roger Sharp	2020	208,410	6,252	214,662
	2019	223,301	6,699	230,000
Don Clarke	2020	119,329	11,336	130,665
	2019	127,854	12,146	140,000
Brad Holman	2020	102,282	9,717	111,999
	2019	109,589	10,411	120,000
Shelley Roberts	2020	102,282	9,717	111,999
	2019	109,589	10,411	120,000
Toni Korsanos	2020	110,805	10,526	121,331
	2019	118,721	11,278	129,999
Rajiv Ramanathan(1)	2019	45,021	–	45,021
Total	2020	643,108	47,548	690,656
	2019	734,075	50,945	785,020

(1) Rajiv Ramanathan resigned as a Director of the Company on 21 November 2018 (at the conclusion of the 2018 AGM).

b. Share ownership by Non-Executive Directors

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

7. Role of Remuneration and Nomination Commitee



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

Where appropriate the Board and Remuneration and Nomination Committee consult external remuneration advisors. When such external remuneration advisors are selected, the Board considers potential conflicts of interests. The requirement for external remuneration advisor services is assessed annually in the context of matters that the Remuneration and Nomination Committee needs to address. External advisors are used as a guide, but do not serve as a substitute for directors' thorough consideration of the relevant matters.

The Board and Remuneration and Nomination Committee engaged KPMG as its independent remuneration advisor for FY20. No remuneration recommendations, as defined by the *Corporations Act 2001* (Cth), were made by remuneration advisors.

8. Executive service agreement summary

Each Executive KMP has entered into an employment contract with the Webjet Group. Details of which are set out in the table 4 below.

Table 4: Employment contracts

Name	Duration of service agreement	Notice period		Restraint period[1]
		By executive	By company	
Executive KMP				
John Guscic	Until 30 June 2023	6 months	12 months	12 months
Shelley Beasley	Ongoing	12 months	12 months	12 months
Tony Ristevski	Ongoing	12 months[2]	12 months[2]	12 months

(1) Restriction on Executive KMP's involvement in any business competitive with any Webjet Group business after termination of employment.
(2) This was 6 months in the previous period.

Table 5: Other relevant components of employment contracts

Clause	Description
Termination without cause	**By Webjet:** • the Board has discretion to make a payment in lieu of notice • if Executive KMP work out their notice period, payment of FAR and part STI as determined (by reference to the performance of the Webjet Group in the notice period); or • if Webjet elects to make a payment in lieu of notice, payment of FAR for the notice period plus 33.3% or 66.7% of STI is applicable for that year (depending on whether the Executive KMP's employment is terminated before or after 6 months from commencement of the financial year); and • retention of all options which have vested plus a pro-rata proportion (based on the portion of the relevant year which has elapsed) of the number of unvested options which, if the performance conditions were satisfied in that year, would vest at year end (all other unvested options will lapse). **By Executive KMP:** • payment of FAR for the notice period (but not the STI); and • retention of all options which have vested prior to termination (all unvested options will lapse).
Termination with cause	• Webjet may terminate an Executive KMP's contract with immediate effect in the following circumstances: breach of a material provision of the agreement, serious misconduct, and/or unsatisfactory performance. • On termination by Webjet for cause, Executive KMP will be entitled to be paid the FAR up to and including the date of termination. No STI will be payable for the year of termination and all options held not then exercised, whether vested or unvested, will lapse. • Only the Managing Director is entitled to terminate his employment contract (on 4 weeks' notice) in certain circumstances, including breach by Webjet of a material provision of the agreement and/or on Webjet making any change to the agreement, without the Managing Director's consent, which materially diminishes his status, duties, authority or terms and conditions of employment. • If the Managing Director terminates his employment contract for cause, the Managing Director will be entitled to payment of an amount equal to the amount that he would have been entitled to be paid if the agreement had been terminated on that date without cause by Webjet. • There is no contractual right of termination by an Executive KMP in the event that Webjet makes a change to the employment agreement, without the Executive KMP's consent, which materially diminishes the Executive KMP's status, duties, authority or terms and conditions of employment. • Where the Executive KMP's employment contract terminates as a result of redundancy, death, serious illness or disability, the Webjet Board retains a residual discretion to permit retention and/or exercise of unvested equity incentives.

9. Other disclosures

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

a. LTI award information

Table 6: Executive KMP LTI options in FY20

	Grants[1]	Balance as at 1 July	Granted	Exercised[2]	Forfeited	Cancelled	Balance as at 30 June	Vested at 30 June	Unvested at 30 June	Options vested during year
John Guscic										
2020	FY18 grant	2,787,362	–	–	(232,217)	(2,555,145)	–	–	–	767,783
2019	FY18 grant	4,250,000	–	(1,250,000)	(212,638)	–	2,787,362	787,362	2,000,000	787,362
Shelley Beasley										
2020	FY20 grant	–	154,932	–	–	(154,932)	–	–	–	–
2020	FY19 grant	163,935	–	–	–	(163,935)	–	–	–	–
2020	One-off	166,667	–	–	–	(166,667)	–	–	–	–
2019	FY19 grant	–	163,935	–	–	–	163,935	–	163,935	–
2019	One-off	–	166,667	–	–	–	166,667	–	166,667	–
Tony Ristevski										
2020	FY20 grant	–	140,858	–	–	(140,858)	–	–	–	–
2020	FY19 grant	149,032	–	–	–	(149,032)	–	–	–	–
2020	One-off	151,515	–	–	–	(151,515)	–	–	–	–
2019	FY19 grant	–	149,032			–	149,032	–	149,032	–
2019	One-off	–	151,515	–	–	–	151,515	–	151,515	–
Graham Anderson[3]										
2019	FY19 grant	–	134,129	–	–	–	134,129	–	134,129	–
2019	One-off	–	136,364	–	–	–	136,364	–	136,364	–

(1) Refer Table 8 in this Section 9 for summary conditions of each grant.
(2) Options exercised in 2019 comprise 250,000 options with an exercise price of $5.14 and 1,000,000 options with an exercise price of $5.64.
(3) No longer considered a KMP from 1 July 2019.

Table 7: Executive KMP LTI performance rights

		Grants	Balance as at 1 July	Granted	Vested	Forfeited	Cancelled	Balance as at 30 June
Shelley Beasley	2020	Performance rights	22,980	–	–	–	(22,980)	–
	2019		29,682	–	(6,702)	–	–	22,980
Tony Ristevski[1]	2020	n. a	–	–	–	–	–	–
	2019		–	–	–	–	–	–
Graham Anderson[2]	2020	Performance rights	–	–	–	–	–	–
	2019		23,825	–	(5,787)	–	–	18,038

(1) Tony Ristevski did not participate in the plan in FY19 as he joined the company after the first grant.
(2) No longer considered a KMP from 1 July 2019.

Table 8: LTI key assumptions

	MD – options	Executive KMP options		
	FY18 Plan	FY20	FY19 Plan	One-off
Vesting basis:				
– Tenure	Yes	Yes	Yes	Yes
– Performance	Yes	Yes	Yes	No
Performance hurdle	EBITDA / TSR	EDBITDA / TSR	EDBITDA / TSR	n/a
Performance hurdle vesting assumption	Met/not met	Met/not met	Met/not met	Met/not met
Pricing model	Binomial	Monte Carlo	Monte Carlo	Monte Carlo
Exercise price ($)	12.50 to 16.00	14.33	12.97	11.97
Dividend yield (%)	1.79	1.84	1.79	1.66
Risk-free interest rate (%)	1.75 to 1.91	0.68	1.87	2.2
Expected volatility (%)	30	37.5	35	35
Expected life (years)	0.85 to 2.85	2.8	2.86	4
Fair value per share ($)	0.49 to 0.69	1.95	1.82 to 1.88	3.3
Vesting dates	30 September 2018 to 30 September 2020	30 June 2022	30 June 2021	1 December 2022
Expiry date	3 years after vesting date	17 September 2024	17 September 2023	12 months after vesting date

b. Shareholdings of KMP

The number of ordinary shares / options in Webjet held directly, indirectly or beneficially by each individual (including shares held in the name of the spouse, superannuation fund, nominee and/or other controlled entities) as at 30 June 2020 are shown in Table 9 below.

Table 9: Shares

	Year	Balance as at 1 July No.	Received on exercise of LTI No.	Other movements No.	Balance at 30 June No.
Roger Sharp	2020	156,587	–	147,058	303,645
	2019	121,800	–	34,787	156,587
Don Clarke	2020	34,519	–	40,519	75,038
	2019	31,067	–	3,452	34,519
Brad Holman	2020	54,008	–	71,120	125,128
	2019	49,607	–	5,513	55,120
Shelley Roberts	2020	16,942	–	16,942	33,884
	2019	7,417	–	9,525	16,942
Toni Korsanos	2020	5,000	–	5,000	10,000
	2019	–	–	5,000	5,000
John Guscic	2020	6,999,545	–	3,375,690	10,375,235
	2019	4,287,836	1,250,000	1,461,709	6,999,545
Shelley Beasley	2020	115,418	–	71,689	187,107
	2019	184,454	3,351	(72,387)	115,418
Tony Ristevski	2020	5,000	–	96,687	101,687
	2019	–	–	5,000	5,000
Graham Anderson(1)	2019	2,894	–	3,860	6,754

(1) No longer considered a KMP from 1 July 2019.

c. Prohibition on hedging of Webjet shares and options

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

The Managing Director has not exercised any options in FY20, and therefore it was not required that he obtain specific clearance from the Chairman.

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

d. KMP Transactions

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

As at 30 June 2020, the Managing Director has a loan owing to the Company of $1,703,000. The loan is at commercial interest rates and secured against the shares exercised under the option funded by the loan. Full repayment is not due until the Managing Director ceases employment.

During the year, there were no repayments or advances and interest of $68,000 was received by the Company.

This Remuneration Report was approved by the Board on 19 August 2020 and has been signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001* (Cth).

This Remuneration Report was approved by the Board on 19 August 2020 and has been signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001* (Cth).

Sustainability Statement

Webjet Limited ("Webjet" or "Company") is a digital travel business spanning both consumer (through the Webjet OTA and Online Republic B2C businesses) and wholesale markets (through the WebBeds B2B business). It is primarily an on-line seller of products and services of third parties – namely flights, hotel rooms, car and motorhome rentals and travel insurance.

Webjet operates a geographically diverse business with operations in Australasia, Asia Pacific, Europe, Middle East, Africa and the Americas and the Company has a responsibility to operate in a sustainable manner in each region in which it operates.

Key business risks impacting the Company are outlined in the Directors' Report. This Sustainability Statement provides further information as to how Webjet seeks to manage key Environmental Social and Governance (ESG) risks impacting its business namely:

Social

- Customer Privacy
- Data security
- Customer engagement
- Employees
  - » Workforce, diversity and inclusion
  - » Employee engagement
  - » Workplace practices, benefits and flexibility
  - » Workplace health and safety

Environment

- Minimising its own environmental impact
  - » Energy efficiency management, water use reduction; and waste reduction
- Promoting environmentally responsible and sustainable travel to customers where relevant
- Monitoring the Company's suppliers

Governance

- Responsible business practices and policies

ESG reporting is an important and evolving area and Webjet plans to expand its reporting on key ESG areas going forward.

Customer privacy

In the course of its ordinary business, Webjet receives a range of personal and confidential information from its customers. This is necessary in order for the Company to carry on its business and provide its products and services to its customers.

Protecting the privacy and confidentiality of customer information is fundamental to the way Webjet does business. The Company takes great care to protect all customer personal information from misuse and loss including protection from unauthorised access, modification and disclosure (regardless of whether personal information is stored in hardcopy or electronically).

Webjet uses a range of methods to protect the privacy and security of customer information.

The Company's Corporate Social Responsibility ("CSR") Statement sets out active steps taken to protect customer personal information. These include provisions governing the storage, security, access, transmission and use of customer personal information. Staff are trained on data privacy and the Company has steps in place to ensure all organisations and persons who may receive the information understand its confidentiality and have similar protection and security measures in place.

The Company's privacy policy is available on all customer websites and sets out how Webjet collects, uses and shares information about its customers. Customers can access and control their personal information by following the steps set out in the privacy policy. The privacy policy also sets out how the Company shares personal information with third parties to help the Company operate, provide, improve, integrate, customize, support and market its services. The Company does not sell or rent any customer personal information to a third party.

While protection of the privacy and confidentiality of sensitive personal data is vital, security breaches and/or loss of confidential or sensitive personal information can occur. If any such event does occur for any reason, Webjet will comply fully with its obligations under applicable privacy legislation including, as appropriate, the notification of all people affected by the breach. It is also committed to taking such action as appropriate to limit the impact on any customer of a security breach or unauthorised access to that customer's personal non-public information.

The Company has in place a robust incident response plan in the event of a suspected privacy breach, which is regularly tested. During FY20, Webjet Limited did not have any reportable breaches regarding customer privacy under any relevant legislation.

Data security

Webjet is reliant on the security of its website, payment and data management systems and protection of personal information of its customers. Security and privacy breaches (whether through cyber attack or otherwise) have the potential to impact customer satisfaction and confidence. Webjet is highly focused on maintaining data security and constantly monitors and reviews its technology systems. The Company takes great care to secure its systems and all information from unauthorised use, viruses, data breaches and others risks. It uses highly sophisticated software applications and/or hardware to prevent unauthorised access to its network and databases.

For all information stored electronically (for example databases), Webjet maintains strict computer and network security. It uses firewalls and other security measures such as identification codes and passwords to control access to its network and systems. It continually maintains and monitors its online security systems to ensure they are secure and that customer personal information is appropriately protected.

The Company Board's Risk Committee has oversight of data security and Cyber Security is a standing Risk Committee agenda item. During the year, Webjet appointed a Global Program Manager for Security who is focused on ensuring security is a consistent and measured priority across all businesses.

Webjet continued to upgrade security initiatives across all businesses during FY20. Software and hardware systems were upgraded and security protocols, controls and processes were enhanced. Technical security assessments were undertaken and the system was tested, including through red teaming exercises with third parties, with all findings actioned. Security awareness training was further expanded throughout the business with training fully incorporated into the onboarding process and staff receiving targeted security training during the year. During FY20, the Company's staff moved to working from home following the onset of COVID-19. Security measures were further enhanced to protect Company data in this new work environment. During FY20, Webjet did not have any reportable data security breaches in any of its businesses.

Future Focus

As an online provider of products and services, governance around data privacy and cyber security remains a high priority for Webjet. We continue to develop and enhance our technical capabilities and platforms.

Customer engagement

Webjet businesses are customer service businesses and are, in part, dependent on customer satisfaction and loyalty. As well as being able to attract new customers, having strong repeat business is important. Tracking customer satisfaction is therefore a key priority for the Company. Webjet seeks and encourages feedback about its business and services, particularly from customers. The Company regularly surveys customers to ascertain if it is delivering on their expectations and if not, how the Company can improve its service.

Webjet OTA – The Company's ongoing focus on measuring customer service has helped the Webjet OTA remain a leader in industry wide customer service benchmarking studies over the past 10 years. Webjet OTA uses a combination of external and internal surveys, as well as feedback calls to track customer satisfaction. All feedback is reviewed and shared with the relevant business group and fed into training programs aimed at improving customer service. The Company actively tracks NPS (Net Promotor Scores) in order to better improve customer service.

Following the impact of COVID-19 on the global travel market, our customer service centres experienced unprecedented demand due to the significant increase in volume of customer enquiries and change requests. At the same time, customer service staffing levels were severely reduced due to government-imposed travel restrictions in the countries where our call centres were located. Our teams worked tirelessly to address queries as quickly as possible and the Company took steps to try and mitigate the reduction in staffing levels. Steps taken included hiring more temporary staff in the Australian office to meet demand, increasing overtime and introducing automation where possible, however inevitable delays occurred. We are currently reviewing existing business continuity plans in order to be well prepared for any similar future event.

Prior to the onset of COVID-19, NPS scores were constant compared to FY19, however the arrival of COVID-19 and subsequent servicing challenges due to the increased volume of calls led to a fall in NPS scores. Customer engagement scores also fell as a result of the initial impact of COVID-19 but have started to recover since May 2020.

Online Republic – Online Republic tracks customer satisfaction through the Trust Pilot platform. In FY20, the Online Republic businesses continued to have very high Trust Pilot ratings.

WebBeds – Customer loyalty in the B2B business remained high during FY20. New customer numbers continued to increase while at the same time business from existing customers remained constant.

Future Focus

As a customer-focused business, Webjet is focused on tracking customer satisfaction and customer loyalty so as to continually improve its product offering. We are currently reviewing business continuity plans for our customer service centres.

Employees

Webjet's people are its number one priority and their future, privileges and rights are central to the way the Company operates. Being able to attract and retain high performing talent across all business areas is important to delivering on the Company's strategy.

Webjet believes the culture of an organisation is critically important. Webjet is committed to creating a workplace where its employees at all levels are valued, have an opportunity to actively participate in the business and take on leadership roles. The creation of a culture where everyone is welcome and treated with respect is key to business success.

Workforce, diversity and inclusion

As at 30 June 2020, the Company employed around 1800 people, the vast majority of whom were full time employees. In order to reduce operating costs to mitigate the impact of COVID-19, 515 roles (22%) were made redundant in 2H20.

Webjet OTA and Online Republic employees are based in Australia and New Zealand, as well as call centre staff in the Philippines and India. WebBeds employees work in more than 50 office locations around the world. Locations with more than 100 employees include Dubai, Egypt, the Philippines, Romania, Spain and the UK.

Webjet Limited is proud of its diverse workforce. The Company believes that embracing diversity enhances work culture and drives business success. It is the diversity of experiences and perspectives that creates a culture of empowerment and fosters innovation, economic growth and new ideas.

The Company employs more than 50 different nationalities and people come from a wide range of ages, experience and qualifications. All of the Company's business leadership teams have significant diversity by nationality.

The Company is committed to having women comprise at least 25% of its board and senior management.

Gender diversity

	% Women		
	FY20	**FY19**	**FY18**
Webjet Board	33%	33%	29%
Senior Management (direct report to MD)	30%	30%	30%
Executive management (direct report to Head of Business)	32%	25%	N/A
All employees	53%	53%	55%

Gender diversity at board and senior management levels remained stable in FY20 as no changes were made during the year. While wholesale travel (B2B) and technology industries do not traditionally have high levels of female participation, the Company has a range of strategies, policies and practices in place to drive representation of women and minorities in the workforce. During the year, a number of women were appointed to executive management roles.

Employee engagement

Webjet is focused on ensuring a motivated, engaged workforce and carries out regular employee satisfaction surveys across all its businesses. Surveys are run by external parties and results are shared with staff and changes made to work environments as required. FY20 results again indicate the Company has a high performing culture with a highly engaged employee base, with engagement in several areas increasing compared to FY19.

Excluding redundancies made due to the impact of COVID-19, voluntary turnover was again low and the same as for FY19.

During FY20, the Company supported employees in all businesses to participate in a range of philanthropic initiatives.

Workplace practices, benefits and flexibility

Webjet employees work in a range of countries and the Company complies with all local labour practices in the countries in which it operates. Webjet is committed to paying appropriate remuneration and complying with local standards around pay and benefits. All employees are paid relevant statutory entitlements such as superannuation, pension and leave entitlements. Depending on location, employees receive a range of other benefits including insurance, transport and travel benefits.

As a highly automated business, the majority of Webjet employees are highly skilled. As such they are engaged under individual contracts aimed at attracting and retaining high performing talent. Webjet benchmarks remuneration in order to attract, motivate and retain employees across all geographies. Employees are not restricted in their entitlement to freedom of association.

Webjet believes in investing in its people for the long term. It offers employees a range of formal and informal ways in which to learn, develop and grow. Employees are supported and encouraged to undertake personal and professional development.

With operations in many countries around the world, flexibility is critical to implementing the Company's business strategy. It is also important in attracting and retaining talented employees and in facilitating productivity across the business. Webjet believes achieving its business objectives are more important than strict formality in the way that it conducts business. Webjet seeks to be agile in the way that it works and therefore flexibility in formal and informal work practices is important as is recognising that rigid working patterns may not always suit customers, staff and circumstances.

Depending on the role, Webjet offers a range of flexible work options including flexible work location and hours, job sharing, ad hoc arrangements, part time work, flexible start and finish times and different types of personal leave.

Various technological advancements were introduced during the year to enable greater flexibility. This flexibility helped the Company quickly adjust to working from home required as a result of COVID-19. Following government-imposed lockdown measures around the world, staff in 27 offices were supported in moving their operations from office to working from home, including for roles that had never previously been considered for work-from-home arrangements. In less than 2 weeks, all roles had moved to working from home, with minimal impact on customers, clients or suppliers.

Workplace Health and Safety

Webjet is committed to ensuring the health and safety of its employees at work and conducting its business in accordance with all workplace health and safety laws, standard and codes of practice. The Company has a range of strategies, policies and practices in place to support a safe work environment. Webjet offers employees access to professional counselling services through an employee assistance program. Following the onset of COVID-19, the Company undertook a Health and Wellness survey to support employees in the transition to a work from home environment as well as understand stresses caused by the uncertainly and how to best support them.

Webjet continued to maintain a strong safety record in FY20 with no reported lost time from injuries or work cover claims.

Future Outlook

Webjet has made a number of acquisitions in recent years which has involved integrating a range of different HR policies and processes. In line with its culture of agility, Webjet operates a decentralised HR function that facilitates each business managing its own staff. The Company is examining ways to standardise HR reporting to help improve visibility of key metrics driving performance.

Environment

The direct impact of the environment on Webjet's businesses and, conversely, the impact of those businesses (and the manner in which they carry on their activities) on the environment, is very limited by reason of Webjet being primarily an on-line seller of products and services of third parties.

At present, given the limited impact of climate-related financial risks on Webjet's financial performance, the Company believes that disclosure (beyond this report) would not assist shareholders, the market or the investment community in understanding the material financial risks it faces. Webjet does regularly review the likely impact of such risks on its businesses and will report on these risks (and their potential impact) as necessary in the future. In doing so, it will have regard to the voluntary framework for companies to disclose the material impacts of climate change on their financial performance.

Webjet approaches its environmental responsibility in the following ways:

- minimising its own environmental impact;
- promoting environmentally responsible and sustainable travel to customers where relevant; and
- monitoring its suppliers

Minimising its own environmental impact

In the daily conduct of its business, Webjet seeks to create a work environment where sustainability, energy efficiency and waste reduction are encouraged.

Key sustainability initiatives implemented across all Webjet businesses include:

- **Energy efficient initiatives** – Installation of energy efficient lighting and use of sensor lighting; minimizing after-hours air-conditioning use; installation of blinds to minimize cooling and heating costs; automatic switch off devices on appliances and equipment when not in use
- **Water reduction initiatives** – installation of low flow water fixtures and the use of water and energy efficient appliances
- **Waste reduction initiatives** – Reducing paper usage and encouraging recycling where possible through use of recycling points throughout offices; printing information only when necessary and initiatives to use recycled paper for printing where possible; overseeing appropriate disposal of old computers and cell phones (including donating to charities for re-use)

Each Webjet office undertakes a range of initiatives to reduce its energy, water and waste consumption. Key initiatives implemented in FY20 included:

- **WebBeds**
  - » Singapore Office's Harbourfront Centre was awarded the Green Mark Platinum Award from the Building and Construction Authority (BCA) for its efforts in delivering 50% increase in air conditioning efficiency and 30% reduction in electricity costs.
  - » Romania customer service centre – heating and electricity costs reduced approximately 15% during the year and stationary costs (including paper procurement) reduced 20%.
  - » Philippines customer service centre – HR processes moved online helping reduce paper procurement costs by 40% during 2H20.
- **Webjet OTA** – Since 2014, key functions of Webjet OTA have operated in the cloud providing greater flexibility regarding energy usage than an on-premises data centre due to the ability to scale down services based on demand. With the retirement during the year of the last on-premises service, Webjet OTA's cloud-based operations (managed through Microsoft Azure) enabled 66% reduction in overall carbon emissions by June 2020 compared to our peak in January 2020.
- **Online Republic** – Promotion of sustainability initiatives through monthly Values newsletters.

Promoting environmentally responsible and sustainable travel to customers where relevant

Webjet is conscious that some of its customers are becoming more environmentally focused. In looking to promote environmentally responsible and sustainable travel to its customers, during the year the Company introduced carbon offsets for all customers booking flights through the Webjet OTA.

Monitoring the Company's Suppliers

Webjet is cognisant that its product suppliers and other participants in the travel industry face the prospect, whether now or in the future, of climate-related financial risks. These risks may lead to changes in consumers' travel habits and preferences. While Webjet's financial performance to date has not been materially (if at all) affected by climate-related risks, the Webjet Board is conscious of the need to regularly review such risks, where appropriate to take action to address them, and to report accordingly to the market.

Future Focus

The Company continues to work towards delivering carbon neutrality in the WebBeds Europe business and will look for opportunities to expand this program to other WebBeds businesses. In FY21, all Company businesses plan to increase their focus on sustainability measures. Webjet is cognisant of growing global concerns for the environment and climate change. Going forward, the Company will look at ways to measure and disclose energy consumption and greenhouse gas emissions associated with its activities.

Governance

Responsible business practices

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

The Webjet Board has initiated the process of approving the Company's statement of values and senior management will be responsible for embedding the values across the Company during FY21.

Code of Conduct

Webjet has a Group Code of Conduct for all employees, as well as a Code of Conduct for Directors and Senior Executives.

The Webjet Group Code of Conduct is required to be signed by all employees prior to commencing work. Webjet is committed to operating to the highest standards of ethical behaviour and honesty and with full regard for the safety and health of its staff members, customers, the wider community and the environment. Webjet employees must act with integrity and honesty in the day to day performance of their jobs and in any situation where their conduct and behaviour could influence respect for the Company. The Company has adopted policies which commit it to meeting its responsibilities in areas where ethical or legal issues arise.

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

Failure to comply with the Code of Conduct is viewed as a serious matter, which may lead to disciplinary action, including dismissal and/or legal action. All instances of alleged breach of conduct during FY20 were thoroughly investigated and appropriately actioned.

Whistleblower Policy

Webjet encourages all employees to report any allegations of misconduct by any employee and/or failures by Webjet to honour its obligations, both legal and ethical, or to comply with its values. Employees are able to use a separate third party website to ensure confidentiality of reporting. During FY20, no allegations of misconduct were reported.

Anti-bribery and Corruption Policy

Information regarding Webjet's commitment to conducting its business fairly, honestly and efficiently is set out in the Webjet Corporate Social Responsibility (CSR) Statement. Key policies on business conduct are also set out in the Webjet Group Code of Conduct.

Modern Slavery

Webjet respects human rights and workplace rights. It is committed to conducting its business in a manner that protects these rights and prohibits and opposes all forms of modern slavery, servitude, forced labour and human trafficking. The Company adopts a continuous improvement approach to its performance in this area. As a business it continues to review, develop and promote its policies and practices to identify and mitigate risk areas for modern slavery and human trafficking in its business and supply chains. Information regarding Webjet's commitment to human rights is set out in the Webjet Corporate Social Responsibility (CSR) Statement. Webjet is currently preparing its first Modern Slavery Statement in compliance with the Modern Slavery Act 2018 (Cth).

The Company's Corporate Governance Statement, Corporate Social Responsibility (CSR) Statement and the various Corporate Governance charters and policies that instil a culture of acting lawfully, ethically and responsibly are available at webjetlimited.com.

Financial Report

For the year ended 30 June 2020

Notes to the consolidated financial statements

Notes to the consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Notes	Year ended 30 June 2020 $m	2019 $m
Revenue from customers	1.2	266.1	366.4
Other income		0.8	1.0
		266.9	**367.4**
Employee benefits	1.3	(111.6)	(108.9)
Operating expenses	1.4	(128.1)	(132.8)
Other non-operating (expenses)/revenue	1.4	(117.7)	(1.6)
(Loss)/profit before interest, tax, depreciation and amortisation		**(90.5)**	**124.1**
Finance costs	2.3	(16.7)	(13.4)
Depreciation and amortisation	3.1, 3.3	(51.6)	(36.0)
(Loss)/profit before income tax		**(158.8)**	**74.7**
Income tax benefit/(expense)	4.4	15.3	(14.4)
Net (loss)/profit after tax		**(143.5)**	**60.3**
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		(5.9)	8.7
Changes in the fair value of hedging instruments		(0.7)	(5.0)
		(6.6)	**3.7**
Items that have been subsequently reclassified to profit or loss			
Cash flow hedges recycled to profit or loss		1.9	1.0
Other comprehensive (loss)/income for the period, net of income tax		**(4.7)**	**4.7**
Total comprehensive (loss)/income for the period		**(148.2)**	**65.0**

		Cents per share	Cents per share
(Loss)/earnings per share:			
Basic (cents per share)	1.6	(82.1)	47.0
Diluted (cents per share)	1.6	(82.1)	46.8

Notes to the consolidated financial statements are included on pages 58 to 91.

Consolidated statement of financial position

As at 30 June 2020

	Notes	Year ended 30 June 2020 $m	2019 $m
Current assets			
Cash and cash equivalents		209.6	211.4
Trade receivables and other assets	2.1	74.5	368.1
Total current assets		**284.1**	**579.5**
Non-current assets			
Intangible assets	3.1	870.5	907.4
Property, plant and equipment	3.3	31.8	23.3
Deferred tax assets	4.4	26.0	9.6
Other non-current assets	2.1	3.1	1.9
Total non-current assets		**931.4**	**942.2**
Total assets		**1,215.5**	**1,521.7**
Current liabilities			
Trade payables and other liabilities	2.2	97.0	540.6
Borrowings	2.3	6.9	18.8
Other current liabilities	2.4	65.9	57.3
Total current liabilities		**169.8**	**616.7**
Non-current liabilities			
Borrowings	2.3	180.0	187.1
Deferred tax liabilities	4.4	31.1	34.8
Other non-current liabilities	2.4	29.5	38.9
Total non-current liabilities		**240.6**	**260.8**
Total liabilities		**410.4**	**877.5**
Net assets		**805.1**	**644.2**
Equity			
Issued capital	4.1	847.4	510.8
Reserves		(10.5)	(2.7)
Retained (losses)/earnings		(31.8)	136.1
Total equity		**805.1**	**644.2**

Notes to the consolidated financial statements are included on pages 58 to 91.

Consolidated statement of changes in equity

For the year ended 30 June 2020

	Issued capital[(1)] $m	Share based payments reserve $m	Other reserve[(2)] $m	Foreign currency translation reserve $m	Retained earnings $m	Total equity $m
Balance at 1 July 2018	329.2	1.9	(5.2)	15.3	101.7	442.8
Profit for the period	–	–	–	–	60.3	60.3
Amounts in reserves recycled to the income statement	–	–	1.0	–	–	1.0
Other comprehensive income for the period, net of income tax[(3)]	–	–	(1.0)	4.7	–	3.7
Total comprehensive income for the period	**–**	**–**	**–**	**4.7**	**60.3**	**65.0**
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs and tax	148.9	–	–	–	–	148.9
Issue of shares as consideration for business combination	25.2	–	–	–	–	25.2
Issue of shares exercised through options	6.9	–	–	–	–	6.9
Share based payment expense recognised for the period	–	1.8	–	–	–	1.8
Transfer from share based payment reserve	0.6	(0.6)	–	–	–	–
Recognition of the put and call option liability to minority shareholders[(4)]	–	–	(20.6)	–	–	(20.6)
Payment of dividends	–	–	–	–	(25.9)	(25.9)
Balance at 30 June 2019	**510.8**	**3.1**	**(25.8)**	**20.0**	**136.1**	**644.2**
Adoption of new accounting standards[(5)]	–	–	–	–	(1.0)	(1.0)
Loss for the period	–	–	–	–	(143.5)	(143.5)
Amounts in reserves recycled to the income statement	–	–	1.9	–	–	1.9
Other comprehensive income for the period, net of income tax	–	–	(0.7)	(5.9)	–	(6.6)
Total comprehensive income for the period	**–**	**–**	**1.2**	**(5.9)**	**(143.5)**	**(148.2)**
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs and tax	336.2	–	–	–	–	336.2
Share based payment expense recognised for the period	–	4.4	–	–	–	4.4
Transfer from share based payment reserve	0.4	(7.5)	–	–	7.1	–
Dividends declared/paid	–	–	–	–	(30.5)	(30.5)
Balance at 30 June 2020	**847.4**	**–**	**(24.6)**	**14.1**	**(31.8)**	**805.1**

(1) Refer note 4.1 for details on issued capital movements.
(2) Made up of cashflow hedge reserve of ($4.2) million (2019: ($5.2) million), and the available for sale reserve of $0.1 million (2019: $0.1 million) and a business combination reserve of ($20.5) million (2019: ($20.5) million).
(3) Prior period movement includes a transfer from the foreign currency translation reserve to the cashflow hedge reserve of $4.0 million relating to the portion of cross currency interest rate swaps that are designated as cashflow hedge reserves.
(4) In FY19, the Group established Umrah Holidays, a joint venture in which the Group holds a 51% equity interest. The Group holds put and call options to acquire the other 49% held by outside shareholders in tranches at a price to be determined between 2020 and 2024. Under accounting standards, the value of the options has been recognised as a liability to reflect the estimated present value of outflows to acquire the minority share, with the corresponding debit recognised in equity in the business combination reserve. The Group's accounting policy is to recognise the subsequent changes in the fair value of the options to the income statement – refer note 1.4.
(5) The Group adopted AASB 16 Leases on 1 July 2019. No comparatives were restated as a result of initial adoption. Refer to note 3.4.

Notes to the consolidated financial statements are included on pages 58 to 91.

Consolidated statement of cashflow

For the year ended 30 June 2020

	Notes	Year ended 30 June 2020 $m	2019 $m
Net (loss)/profit after tax		(143.5)	60.3
Add back:			
Depreciation and amortisation	3.1, 3.3	51.6	36.0
Finance cost, net of interest income		15.9	12.4
Income tax (benefit)/expense	4.4	(15.3)	14.4
Earnings before interest, tax, depreciation, amortisation		**(91.3)**	**123.1**
Adjusted for changes in working capital:			
Decrease/(increase) in trade debtors and other receivables		155.8	(12.7)
(Decrease) in trade payables and other liabilities		(400.2)	(27.3)
Non cash items[(1)]		111.9	(12.5)
Cash flow from operating activities before interest and tax paid		**(223.8)**	**70.5**
Net finance cost paid		(15.3)	(12.5)
Income tax expense paid		(11.7)	(12.3)
Net cash flows from operating activities	**1.8**	**(250.8)**	**45.7**
Purchase of property, plant and equipment[(2)]	3.3	(3.7)	(5.3)
Purchase of intangible assets	3.1	(26.7)	(27.4)
Proceeds from sale of property, plant and equipment		0.8	–
Proceeds from sale of intangible assets	3.1	1.0	–
Purchase of subsidiary net of overdraft assumed/cash acquired	3.2	(5.5)	(209.6)
Dividends received		0.2	0.1
Net cash outflows from investing activities		**(33.9)**	**(242.1)**
Payment of dividends	1.7	(18.3)	(25.9)
Proceeds from issue of share capital, net of share issue costs		333.9	160.4
Proceeds from borrowings		–	107.6
Repayments of borrowings	2.3	(19.1)	(17.4)
Payments of lease liabilities		(4.5)	–
Net cash inflows from financing activities		**292.0**	**224.7**
Net increase in cash and cash equivalents		**7.3**	**28.2**
Cash and cash equivalents at the beginning of period		211.4	190.8
Effects of foreign exchange translation on cash and cash equivalents		(9.1)	(7.6)
Cash and cash equivalents at end of period		**209.6**	**211.4**

(1) Comprises share based payment expenses per note 1.3 and non-cash items per note 1.4.
(2) Excludes $0.4 million of non-cash additions relating to right of use assets.

Notes to the consolidated financial statements are included on pages 58 to 91.

1 Performance

1.1 Segment information

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

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

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

	12 months ended 30 June							
	B2C 2020 $m	**B2C 2019 $m**	**B2B 2020 $m**	**B2B 2019 $m**	**Corporate 2020 $m**	**Corporate 2019 $m**	**Total 2020 $m**	**Total 2019 $m**
Total transaction value[1]	1,156.2	1,677.0	1,864.6	2,154.2	–	–	3,020.8	3,831.2
Revenue[2]	112.2	181.9	153.9	184.5	–	–	266.1	366.4
Operating costs	(87.9)	(108.6)	(138.6)	(117.2)	(13.2)	(15.9)	(239.7)	(241.7)
EBITDA before other non-operating expenses	**24.3**	**73.3**	**15.3**	**67.3**	**(13.2)**	**(15.9)**	**26.4**	**124.7**
Other non-operating expenses							(117.7)	(1.6)
Net interest[3]							(15.9)	(12.4)
Depreciation and amortisation							(51.6)	(36.0)
(Loss)/profit before tax							**(158.8)**	**74.7**
Income tax benefit/(expense)							**15.3**	**(14.4)**
Net (loss)/profit after tax							**(143.5)**	**60.3**

(1) Total transaction value (TTV) is the gross transaction price on a booking. This is used by management as a performance indicator for the segments.
(2) Excludes interest income. The Group is considered an agent in providing travel services and only recognises net commission receivable as revenue.
(3) Includes interest income.

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

	Revenue		**Non-current assets[1]**	
	2020 $m	**2019 $m**	**2020 $m**	**2019 $m**
Australia	91.7	148.5	41.8	36.4
New Zealand	20.5	33.4	72.5	91.0
Total B2C	**112.2**	**181.9**	**114.3**	**127.4**
Dubai	120.1	143.6	513.4	566.1
UK	13.8	6.0	246.7	229.6
Other	20.0	34.9	31.0	9.5
Total B2B	**153.9**	**184.5**	**791.1**	**805.2**
Total	**266.1**	**366.4**	**905.4**	**932.6**

(1) Excludes deferred tax assets.

1.2 Revenue from customers

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

(a) Revenue streams

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

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

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

Variable consideration

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

Significant financing component

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

Cancellations

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

1.2 Revenue from customers (continued)

(b) Disaggregation of revenue

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

2020	Revenue recognition	B2C $m	B2B $m	Total $m
Booking commission revenue	Point in time	86.9	137.5	224.4
Supplier rebates	Over time	14.8	2.2	17.0
Other ancillary revenue	Over time	6.5	14.0	20.5
	Point in time	4.0	0.2	4.2
Total revenue from contracts with customers(1)		**112.2**	**153.9**	**266.1**

2019	Revenue recognition	B2C $m	B2B $m	Total $m
Booking commission revenue	Point in time	143.0	164.8	307.8
Supplier rebates	Over time	27.4	3.6	31.0
Other ancillary revenue	Over time	5.8	16.1	21.9
	Point in time	5.7	–	5.7
Total revenue from contracts with customers(1)		**181.9**	**184.5**	**366.4**

(1) Excludes interest income.

(c) Contract assets and contract liabilities

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

These balances are included in trade and other receivables and other liabilities in the statement of financial position.

2020	B2C $m	B2B $m	Total $m
Contract assets	1.2	2.6	3.8
Contract liabilities	(27.0)	(0.5)	(27.5)

2019	B2C $m	B2B $m	Total $m
Contract assets	9.6	8.7	18.3
Contract liabilities	(4.5)	(3.5)	(8.0)

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

In the current year, the Group issued gift vouchers to B2C customers of $23 million for travel cancellations brought about the decision to close the Exclusives business, brought about by travel restrictions due to the COVID-19 pandemic. These gift vouchers have an expiry term of 3 years from issue date. As they can be utilised at any, time all gift vouchers are classified as current liabilities.

(d) Significant judgements – the Group is an agent

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

1.3 Employee benefit expenses

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

Total employee benefit expenses for the year is as follows:

	Notes	Year ended 30 June 2020 $m	2019 $m
Salaries		94.8	88.6
Salary on costs (post employment contribution and payroll taxes)		10.0	7.3
Share based payment expense	(a)	1.3	1.8
Incentives		–	5.6
Other employee benefits		5.5	5.6
Total employee benefit expense		**111.6**	**108.9**

(a) Share based payment expense

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

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

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

In June 2020, due to the impact of COVID-19 on travel stocks worldwide, the existing options or rights under the share based payment plans were significantly out of the money and no longer served their purpose as an effective incentive for management. As a result, all unvested options or rights and options that had vested but not yet exercised were cancelled for all schemes. The accounting standards require all future related share-based payment expense be accelerated and recognised upon cancellation. As a result of the cancellation, total cost of $3.1 million which has been recognised in non-operating expenses. Refer to note 1.4 for details.

1.3 Employee benefit expenses (continued)

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

	Type	Grants	Balance at start of the year	Granted	Exercised	Forfeited	Cancelled	Balance at the end of the year	Vested at 30 June	Unvested at 30 June	Vested during year
Managing Director											
FY20	Options	FY18 Grant	2,787,362	–	–	(232,217)	(2,555,145)	–	–	–	767,783
FY19	Options	FY18 Grant	4,250,000	–	(1,250,000)	(212,638)	–	2,787,362	787,362	2,000,000	787,362
Executive KMP and other senior executives											
FY20	Options	FY20 Grant	–	1,323,799	–	–	(1,323,799)	–	–	–	–
	Options	FY19 Grant	1,108,204	–	–	–	(1,108,204)	–	–	–	–
	Options	One-off	1,038,788	–	–	–	(1,038,788)	–	–	–	–
	Rights	FY18 Grant	150,334	–	–	–	(150,334)	–	–	–	–
	Rights	FY17 Grant	102,398	–	(102,398)	–	–	–	–	–	102,398
FY19	Options	FY19 Grant	–	1,108,204	–	–	–	1,108,204	–	1,108,204	–
	Options	One-off	–	1,038,788	–	–	–	1,038,788	–	1,038,788	–
	Rights	FY18 Grant	150,334	–	–	–	–	150,334	–	150,334	–
	Rights	FY17 Grant	128,872	–	(26,474)	–		102,398	27,383	75,015	27,383

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

	MD options	Executive KMP options			Executive KMP performance rights
	FY18 Plan	**FY20**	**FY19 Plan**	**One-off**	**FY18 Plan**
Vesting basis:					
– Tenure	Yes	Yes	Yes	Yes	Yes
– Performance	Yes	Yes	Yes	No	Yes
Performance hurdle	EBITDA/TSR	EBITDA/TSR	EBITDA/TSR	n/a	EBITDA/TSR
Performance hurdle vesting assumption	Met/not met	Met/not met	Met/not met	Met/not met	Met/not met
Pricing model	Binomial	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Exercise price ($)	12.50 to 16.00	14.33	12.97	11.97	Nil
Dividend yield (%)	1.79	1.84	1.79	1.66	0
Risk-free interest rate (%)	1.75 to 1.91	0.68	1.87	2.2	1.99
Expected volatility (%)	30	37.5	35	35	30
Expected life (years)	0.85 to 2.85	2.8	2.86	4	2.91
Fair value per share ($)	0.49 to 0.69	1.95	1.82 to 1.88	3.3	4.9 to 10.76
Vesting dates	30 September 2018 to 30 September 2020	30 June 2022	30 June 2021	1 December 2022	30 June 2020
Expiry date	3 years after vesting date	17 September 2024	17 September 2023	12 months after vesting date	2 years after vesting date

1.3 Employee benefit expenses (continued)

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

The cost of equity settled transactions is determined by the fair value at grant date using an appropriate valuation model. That cost is recognised in share-based payment expense, together with a corresponding increase in equity (share based payment reserve), over the period in which the service and performance conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

(b) Key management personnel compensation

The KMPs of the Group comprise the Chairman, Non-executive Directors, the Managing Director, Group Chief Commercial Officer, and Group Chief Financial Officer.

Remuneration paid to the KMPs is shown below:

	Year ended 30 June	
	2020 $m	**2019 $m**
Short-term employee benefits	3.1	4.2
Post-employment benefits	0.1	0.1
Share based payments(1)	1.3	1.1
Key management personnel compensation	**4.5**	**5.4**

(1) Includes $0.8 million arising from accelerated share based payment expense upon cancellation of long term incentive schemes during the current period.

Detailed remuneration disclosures are provided in the Remuneration Report.

1.4 Other expenses

(i) Other operating expenses comprises:	Year ended 30 June 2020 $m	2019 $m
Marketing expenses	32.4	38.9
Operating expenses	48.0	45.5
Technology expenses	24.4	21.5
Administrative expenses	15.1	14.8
Other expenses	8.2	12.1
Total other operating expenses	**128.1**	**132.8**

(ii) Other non-operating expenses comprises:	Note	2020 $m	2019 $m
Change in fair value of put and call option liability	1	(11.0)	–
Gain arising from decrease in earn out provision	2	(14.5)	(18.5)
Expense recognised from increase in consideration paid for DOTW outside the measurement period	3	14.5	–
Write off of trade receivables	4	83.9	–
Closure of Exclusives business	5	14.6	–
Restructure costs	6	7.2	–
Government subsidies received	7	(2.6)	–
Cancellation of long term incentive plans	8	3.1	–
Online Republic Cruise business closure costs	9	0.7	–
Impairment of intangible assets arising from business closures	10	20.0	–
Business acquisition and integration costs	11	1.8	15.2
Write off of impaired software	12	–	4.9
Total other non-operating expenses		117.7	1.6
Comprising			
Cash (items 6,7,9,11)		7.1	15.2
Non-cash		110.6	(13.6)

(1) The Group holds put and call options to acquire the remaining 49% held by outside shareholders in Umrah International Holidays. These options can be exercised between 2020 and 2024. Under accounting standards, the value of options liability is reassessed at each reporting period to reflect the estimated present value of outflows to acquire the minority share.

(2) The decrease in the earnout liability arises from the reassessment of the earn out payable to the sellers of DOTW as prescribed by the share purchase agreement for calendar year 2019 which was due March 2020. Based on the full year results, the estimate of the earnout was assessed as nil. As required by accounting standards, the reversal was recognised in the profit and loss.

(3) The final consideration to be paid on the acquisition of DOTW was determined after negotiations with the seller regarding the final working capital. This involved the use of an Expert, who determined the final working capital adjustment on 24 December 2019. Given this was outside the measurement period per the accounting standards which ended 21 November 2019, the adjustment to the consideration payable has been recognised in profit or loss.

(4) This is made up of Thomas Cook write off amounting to $44 million due to Thomas Cook entering voluntary liquidation in September 2019, and $39.9 million of bad debt write offs arising from increased credit losses realised due to the current macroeconomic conditions, exacerbated by the COVID-19 pandemic.

(5) The closure of the Exclusives business in May 2020, resulting in write off of customer receivables and payables to suppliers to the amount of $14.6 million.

(6) Restructure costs primarily consists of redundancy costs incurred to during the period, particularly in the second half due to the severe disruption in the travel industry.

(7) As a result of the economic impact on economies of the COVID-19 pandemic, a number of Governments provided relief packages to assist companies that had been severely impacted by the pandemic. The Group received subsidies from Australia, New Zealand and United Kingdom. The group received negligible rent benefits during the year.

(8) The accelerated future costs of share-based payments that were cancelled during the year. Refer note 1.3.

(9) Closure of the Online Republic Cruise business resulted in costs of $0.7 million relating to redundancies, office closure costs and commission cancellations.

(10) Closure of the Online Republic Cruise and Webjet Exclusives resulted in an impairment of $20.0 million across goodwill, trademarks and other intangibles.

(11) Business acquisition and integration costs mainly comprise additional consultancy fees for legal and advisory services on acquisitions, integrations, and incremental compliance costs arising from acquiring and subsequently integrating business. There were no acquisitions during the period, and fees relate mainly to integration of DOTW holdings in 2019.

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

1.5 Remuneration of auditors

	Year ended 30 June 2020 $ 000	2019 $ 000
Audit and review of financial statements	1,525	1,277
Tax related services	699	271
Other non-audit services	11	853
Total remuneration	**2,235**	**2,401**

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

1.6 (Loss)/earnings per share

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

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

	Year ended 30 June 2020 No of shares (m)	2019 No of shares (m)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	174.8	128.3
Adjustments for employee options and performance rights[(1)]	–	0.7
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**174.8**	**129.0**

(1) In 2019, adjustment also included impact of options granted to the Managing Director and senior KMP under the Employee Share Option Plan which are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required hurdles would have been met based on the company's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. These options were cancelled during the year.

1.7 Dividends

Dividends declared and paid during the year were as follows:

	Year ended 30 June		Year ended 30 June	
	2020 cps	2019 cps	2020 $m	2019 $m
Final dividend for the prior period	13.5	12.0	18.3	14.4
Interim dividend for current year	9.0	8.5	12.2	11.5

On 1 April 2020, the Company announced that the payment of interim dividend for the current year to be deferred to October 2020. Following further uncertainty in the travel industry, the dividend will be deferred to April 2021. No dividend has been declared for the full year. The provision for dividend is classified as current liability – refer to note 2.4.

Franking credit account:	Year ended 30 June	
	2020 $m	2019 $m
Adjusted franking account balance[1]	(0.8)	12.3
Impact on franking account balance of dividends not recognised	–	(7.8)
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2019:30%)	**(0.8)**	**4.5**

(1) The balance of the adjusted franking account includes:
(a) franking credits that will arise from the payment of the amount of the provision of income tax
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Based on the accounting approach to calculate the accrued franking account balance, which takes into account the actual franking account balance as at 30 June 2020 of $4.4 million and any potential tax payments or franked dividends, attributable to the 2020 financial year, the Company is likely to have a franking deficit for accounting purposes as at 30 June 2020. Subject to actual tax payments made, or other dividends paid, during the 2021 financial year there may be a franking deficit tax liability for the year ended 30 June 2021 (which would be payable in July 2021).

1.8 Operating cashflows reconciliation

We have set out cashflows from operating activities using the direct method.

Webjet considers the indirect method the more appropriate way to present cashflows for its business due to WebBeds customers and suppliers who use the Annual Report being more accustomed to the indirect method. Changing the cashflow presentation to an indirect method makes the cashflow statement more relevant, understandable and comparable to other similar businesses in the industry.

(a) Operating cashflow per the direct method

	Year ended 30 June	
	2020 $ 000	2019 $ 000
Receipts from customers	466.8	339.9
Payments to suppliers and employees	(690.6)	(269.4)
Net finance cost paid	(15.3)	(12.5)
Income tax expense paid	(11.7)	(12.3)
Net cash flows from/(used in) operating activities	**(250.8)**	**45.7**

2 Working capital, borrowings and financial risks

2.1 Trade receivables and other assets

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

	Year ended 30 June 2020 $m	2019 $m
Trade receivables	51.9	347.5
Contract assets	3.8	18.3
Credit loss allowance	(8.1)	(24.6)
Trade receivables	**47.6**	**341.2**
Prepayments	8.2	6.3
Term deposit	0.8	–
Other current assets[1]	17.9	20.6
Total trade receivables and other assets	**74.5**	**368.1**
Other non-current assets		
Loans to related parties[2]	1.7	1.6
Other financial assets	1.4	0.3
Total other non–current assets	**3.1**	**1.9**

(1) Other current assets predominantly include paid supplier deposits and indirect tax receivables.
(2) In the 2016 financial year the Board approved to provide John Guscic with a limited recourse loan of $1.5 million, at a commercial interest rate and secured against the resulting shares, with the condition that the loan was used to exercise vested options. The loan is classified as other non-current assets in the consolidated balance sheet. During the year, no amounts were advanced (2019: nil) and interest was charged (at market interest rates) of $0.1 million (2019: $0.1 million).

Receivables ageing, contract assets and credit risk allowance

30 June 2020	B2C $m	B2B $m	Other receivable $m	Total $m
Current	7.8	3.6	–	11.4
30 to 90 days	–	8.8	–	8.8
90 to 180 days	0.1	31.6	–	31.7
over 180 days	–	–	–	–
	7.9	**44.0**	**–**	**51.9**
Contract assets	1.2	2.6	–	3.8
Gross trade and other receivables				**55.7**
Allowance based on historic credit losses				(0.5)
Adjustment for respective changes in credit risk				(7.6)
Total trade and other receivables				**47.6**

$84 million of the decrease in receivables, net of credit loss allowance, arose from the write off of receivables during the period. $44 million arose from the write off of Thomas Cook receivables after the customer declared bankruptcy in September 2019, and probability of recoverability of the amounts was nil. The remaining $40 million arose from the review of long outstanding receivable balances from customers. Given the impact of COVID-19 and resulting liquidity difficulties, the Group determined the probability of these long outstanding receivables to be low. Refer to note 1.4 for details around debtors write offs recognised during the period.

2.1 Trade receivables and other assets (continued)

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

Impairment of trade receivables

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

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

The expected loss rates are based on the payment profiles of total transaction value (TTV) over a period of 24 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables such as GDP, and unemployment rate of the regions in which the customer operates, and accordingly adjusts the historical loss rates if there are material deteriorations to these macroeconomic indicators identified.

The credit loss allowance is calculated by applying the Group credit matrix to the ageing of trade receivables as above.

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

The movement in the credit loss allowance was as follows:

	2020 $m	2019 $m
Opening credit loss allowance	(24.6)	(6.6)
Arising from business combinations	–	(19.2)
Increase in credit allowance recognised in profit or loss	(1.4)	–
Utilisation of provision	18.6	–
Impact of FX translation	(0.7)	1.2
Closing credit loss allowance	**(8.1)**	**(24.6)**

2.1 Trade receivables and other assets (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. There has been no modifications to contractual cashflows during the current period.

The Group has adopted a policy of only dealing with parties considered to be creditworthy. The Group does not require collateral in respect of financial assets. The Group's exposure and the credit rating of its counterparties are continuously monitored. Due to liquidity issues experienced by customers during the year, an assessment of the debtor book resulted in significant write offs of aged debtors, as the probability of recoverability was assessed as very low. Refer to note 1.4 for details around debtor write offs recognised. Credit risk is measured on a fair value basis.

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

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

2.2 Trade payables and other liabilities

	30 June 2020			30 June 2019		
	B2C $m	B2B $m	Total $m	B2C $m	B2B $m	Total $m
Trade payables	21.3	41.9	**63.2**	133.9	356.9	**490.8**
Accrued expenses	11.0	22.8	**33.8**	11.1	33.0	**44.1**
Other payables	–	–	**–**	–	5.7	**5.7**
Total trade and other payables	**32.3**	**64.7**	**97.0**	**145.0**	**395.6**	**540.6**

2.3 Borrowings and finance costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period

(a) Breakdown of borrowings

			30 June 2020		30 June 2019	
	Terms	Maturity	Current $m	Non-current $m	Current $m	Non-current $m
Sunhotels[(1)]	Principal & Interest	Sep 19	–	–	9.1	–
Thomas Cook	Principal & Interest	Jun 21	6.9	–	9.7	7.1
JacTravel[(2)]	Interest Only	Nov 22	–	80.0	–	80.0
Destinations of the World[(2)]	Interest Only	Nov 22	–	50.0	–	50.0
Destinations of the World	Interest Only	Nov 23	–	50.0	–	50.0
Total Borrowings			**6.9**	**180.0**	**18.8**	**187.1**

(1) During the year, the Sunhotels loan was repaid.

(2) On 30 June 2020, the loans related to the Jac Travel (previously maturing August 2022) and the three year Destinations of the World loan (previously maturing November 2021) had their maturities extended to November 2022. The other terms of the loans remained unchanged.

2.3 Borrowings and Finance Costs (continued)

(b) Movement in borrowings

	Opening Balance 1 July 2019 $m	Drawdowns 2020 $m	Repayments 2020 $m	Reclass to current 2020 $m	Non Cash (FX) 2020 $m	Closing Balance 30 June 2020 $m
Current borrowings	18.8	–	(19.1)	7.2	–	6.9
Non-current borrowings	187.1	–	–	(7.2)	0.1	180.0
Total borrowings	**205.9**	**–**	**(19.1)**	**–**	**0.1**	**186.9**

(c) Compliance with loan covenants

The Group's loans incorporate certain market standard covenants such as operating leverage ratio, interest cover ratio and gearing ratio. The Group's existing lenders who provided debt under the common term deed have consented to a waiver of certain financial covenants for the period (and including) 1 April 2020 to 30 September 2021 (including 30 June 2020, 31 December 2020 and 30 June 2021) with the ratios to be tested on 30 September 2021 (with respect to the previous three month EBITDA (annualised)) prior to resuming 12 monthly testing on and from 31 December 2021. The waiver is subject to compliance with a minimum liquidity of $125 million liquidity requirement at all times until the financial covenants are again in compliance based on an unmodified testing.

Webjet Limited has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

(d) Finance costs

	Year ended 30 June 2020 $m	2019 $m
Interest expense on bank overdraft and loans	8.8	6.4
Interest expense on leases	0.3	–
Option premium expenses on hedging instruments	7.6	7.0
Total	**16.7**	**13.4**

2.4 Other liabilities

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

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service and are measured as the present value of expected future payments to be made using the projected unit credit method.

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

		Year ended 30 June	
	Notes	**2020 $m**	**2019 $m**
Current liabilities			
Contract liabilities(1)		27.5	8.0
Provision for dividend	1.7	12.2	–
Current tax liabilities		2.4	13.3
Client deposits		10.6	9.9
Provisions(2)		7.3	9.1
Derivative financial instruments	4.5	0.9	1.9
Deferred consideration(3)		–	14.5
Lease liabilities(4)	3.4	4.2	–
Other current liabilities		0.8	0.6
		65.9	**57.3**
Non current liabilities			
Provisions(2)		0.5	0.6
Derivative financial instruments	4.5	12.6	12.6
Deferred consideration(3)		–	5.3
Lease liabilities(4)	3.4	7.1	–
Put option liability(5)		9.3	20.4
		29.5	**38.9**

(1) Contract liabilities primarily consist of gift vouchers of $27 million (2019: $1.9 million) and deferred revenue of $0.5 million (2019: 6.1 million). Refer to note 1.2 for details on contract liabilities.

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

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

(4) Recognition of lease liabilities from adoption of AASB 116 Lease Standard on 1 July 2019 (refer note 3.4).

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

3 Non-current assets

3.1 Intangible assets

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

Category	Recognition and measurement	Amortisation
Goodwill	Goodwill for the Group arises on business acquisitions and represents the difference between the total consideration paid and the fair value of the net assets acquired.	Goodwill is not amortised but is assessed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired.
Trademarks	Trademarks for the Group arise on business combinations. Trademarks can have indefinite useful lives where there is no expiry and no foreseeable limit on the period of time over which these assets are expected to contribute to the cashflows of the Group.	3 years
Capitalised development	Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets as capitalised development. Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. The capitalised development intangible assets represent the Group's travel booking system and licences as well as additional distribution systems that enable customers to access this booking platform. Capitalised development is amortised on a straight-line basis.	Hotel platforms – 10 years Flight platforms – 15 years
Other identifiable intangibles	Other identifiable intangible assets arise on business acquisitions and comprise of supplier agreements and customer contracts/ relationships	Supplier agreements – 10 to 15 years Customer contracts – 15 years

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

Consolidated Entity	Goodwill $m	Trademarks $m	Capitalised development $m	Other $m	Total $m
At 1 July 2019					
Cost or fair value	567.4	40.9	154.5	219.6	982.3
Accumulated amortisation and impairment	–	(8.9)	(44.1)	(22.0)	(74.9)
Net book amount	**567.4**	**32.0**	**110.4**	**197.6**	**907.4**
Additions	–	–	23.2	3.5	26.7
Disposals	(1.0)	–	–	–	(1.0)
Impairment(1)	(12.4)	(3.6)	(1.5)	(2.5)	(20.0)
Amortisation charge	–	(7.8)	(15.2)	(19.8)	(42.8)
Exchange differences	(0.2)	(0.5)	0.2	0.7	0.2
Closing net book amount	**553.8**	**20.1**	**117.1**	**179.5**	**870.5**
At 30 June 2020					
Cost or fair value	553.8	37.4	178.0	218.7	987.9
Accumulated amortisation	–	(17.3)	(60.9)	(39.2)	(117.4)
Net book amount	**553.8**	**20.1**	**117.1**	**179.5**	**870.5**

(1) A total impairment of $20 million across goodwill, trademarks and other intangibles resulted from the closure of the Online Republic Cruise business and Webjet Exclusives business.

3.1 Intangible assets (continued)

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

Impairment tests for intangible assets

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 arises, identified according to operating segments (refer to Segment information note 1.1).

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

During the year, as a result of the disruption in the travel vertical in 2020 due to COVID-19, the Group has tested the intangible assets inclusive of goodwill for impairment. Other intangible assets, such as trademarks, customer contracts and supplier agreements has been tested for impairment at the CGU level as they do not generate separately identifiable independent cashflows.

The segment-level summary of the carrying amount of intangible assets subject to impairment testing is shown below:

	B2C Travel $m	B2B Travel $m	Total $m
30 June 2020			
Carrying amount of goodwill	45.5	508.3	553.8
Carrying amount of other intangible assets	58.5	258.2	316.7
	104.0	**766.5**	**870.5**
30 June 2019			
Carrying amount of goodwill	59.7	507.7	567.4
Carrying amount of other intangible assets	61.5	278.5	340.0
	121.2	**786.2**	**907.4**

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.

Detailed monthly projections were performed for the first year ending 30 June 2021. This takes into account the current depressed travel restrictions and assumptions on resumption of domestic and international travel as shown below. Years two to five are based on gradual increase in travel with return to historical levels as seen in FY19 year by 2023 (year 3), and double digit growth in years four and five, consistent with FY18, FY19 growth (adjusted for impact of acquisitions). Growth rates are based on pre COVID-19 profitability (based on FY19 profitability adjusted for acquisitions) since use of the FY21 year as a base would not be meaningful in analysing compound annual growth rate (CAGR) over the forecast period.

3.1 Intangible assets (continued)

The following are the key assumptions applied in calculating the recoverable amount:

Key assumptions used for value-in-use calculations

	B2C Travel	B2B Travel
Resumption of domestic travel	1H21	1H21
Resumption of international travel	2H21	2H21
Vaccine available	Mid 2021	Mid 2021
Year expected to reach pre-covid profitability levels	2023	2023
5 year CAGR based on pre-covid profitability	0 to 2%	5 to 8%
Terminal growth rate	2%	2%
Tax rate	30%	10%
Post tax discount rate	12%	11%

Results show that the B2B and B2C recoverable amounts determined based on the assumptions above support the carrying value and no impairment is required.

The B2B recoverable amount headroom is modest, and reasonably possible changes in assumptions above may result in impairment as noted under B2B sensitivities below.

B2B sensitivities

The impairment review carried out for B2B, adopting the methodology and assumptions set out above, concluded that the recoverable amount supporting the carrying amount and no impairment charge required. However, the recoverable amount is sensitive to changes in certain assumptions as follows:

	Headroom	Impairment charge
Base case	$145 million	Nil
Increase in discount rates by 140bps	Break even	Break even
Revenue growth rates reduced by 5%	Break even	Break even
Reduce growth rates by 5% plus delay recovery six months	Nil	$107 million
Reduce growth rates by 5% plus delay recovery 12 months	Nil	$222 million

Delay in recovery reflects the delay in reaching pre-COVID-19 profitability levels driven by delays in resumption of domestic and international travel and trading. Six month delay means pre-COVID-19 profitability levels achieved in mid 2024, and 12 months delay means pre-COVID-19 profitability levels achieved in late 2024.

Reasonable changes in assumptions are not expected to result in an impairment of the B2C cash generating unit.

3.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree.

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

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

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

Update on acquisition of Destinations of the World

(a) Summary of acquisition

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

(b) No changes to fair value of assets and liabilities acquired

There were no further changes to the fair value of assets and liabilities acquired.

(c) Changes to consideration paid

The final working capital adjustment was determined in December 2019 following lengthy negotiations with the seller, which involved the use of an expert. This resulted in the net refund due from the Seller reducing by $14.5 million as detailed below:

	Reported 30 June 2019 $m	Change $m	Adjusted $m
Consideration paid or payable comprises:			
Cash paid	174.3	–	174.3
New shares issued	25.2	–	25.2
Deferred consideration	46.8	–	46.8
Estimated refund due to working capital adjustment	(16.7)	14.5	(2.2)
Net consideration paid or payable	**229.6**	**14.5**	**244.1**

Though the reduction in the estimated refund has resulted in a change to the net consideration paid or payable, as the final outcome was determined outside the measurement period which ended 21 November 2019, AASB 3 requires the adjustment is recognised in profit or loss (refer note 1.4) rather than as an increase to goodwill.

(d) Deferred consideration

As part of the acquisition of DOTW, the Group negotiated a deferred consideration of A$ 46.8 million or USD 35 million.

This comprised an amount of USD 10 million made up of USD 6.3 million which was payable as part of the completion accounts settlement; USD 1.7 million relating to general warranties which was held in escrow and paid in November 2019; and USD 2 million also held in escrow relating to tax warranties paid in May 2020.

A further deferred consideration of USD 25 million related to an earn out payable when an agreed EBITDA target for the integrated WebBeds and DOTW business for the 12 months ending 31 December 2019 had been met. On acquisition the discounted amount booked in the accounts was USD 23.8 million (A$ 33.0 million).

3.2 Business combinations (continued)

As at 30 June 2019, i.e., half-way through the earn out window, the forecast EBITDA was reviewed against the target. The forecast was below the earn out target resulting in an adjustment on the carrying value of the liability of A$ 18.5 million.

Subsequently, the EBITDA for the calendar year ended 31 December 2019 did not meet the minimum threshold required for an amount to be paid, as prescribed by the share purchase agreement for calendar year 2019 which was due March 2020. This has resulted in the earn-out provision being reduced to nil. As required by accounting standards, the reversal is recognised in profit and loss (refer note 1.4). The dispute resolution process under the Share Purchase Agreement has been invoked and the matter has been referred to an independent expert. The outcome is yet to be determined.

	Notes	2020 $m
Opening deferred consideration		**27.6**
Reversal during the period recognised as income	1.4	(14.5)
Interest expense from unwind of present value		0.3
Impact of FX		(0.5)
Amount paid as settlement of working capital[1]		(7.4)
Amount paid to sellers as release of escrow[2]		(5.5)
Closing deferred consideration		–

(1) As final determination of working capital was outside the 12 month measurement period, the amount was recognised in the consolidated profit and loss. Accordingly, the payment to settle the working capital is classified as operating cashflows.

(2) During the year, an additional $5.5 million of deferred consideration related to certain warranties were released to the Seller. This payment is classified as investing cashflows in the consolidated cashflow statement.

3.3 Property, plant and equipment

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

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

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

Buildings	50 years
Office furniture and equipment	5 to 8 years
IT hardware and software	5 years
Right of use assets and Leasehold improvements	Over term of lease

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

3.3 Property, plant and equipment (continued)

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

Consolidated Entity	Land & building $m	IT hardware & software $m	Right of Use Asset $m	Other PPE $m	Total $m
At 1 July 2019					
Cost or fair value	11.5	18.9	–	12.6	43.0
Accumulated depreciation	(0.8)	(14.2)	–	(4.7)	(19.7)
Net book amount	**10.7**	**4.7**	**–**	**7.9**	**23.3**
Initial adoption of accounting standard(1)	–	–	14.2	–	14.2
Additions	–	2.1	0.4	1.6	4.1
Transfers	–	1.7	–	(1.7)	–
Depreciation charge	(0.3)	(2.5)	(3.9)	(2.1)	(8.8)
Disposals	(1.0)	–	–	–	(1.0)
Exchange differences	(0.6)	–	(0.3)	0.9	–
Additions through acquisition	–	–	–	–	–
Closing net book amount	**8.8**	**6.0**	**10.4**	**6.6**	**31.8**
At 30 June 2020					
Cost or fair value	9.8	22.7	14.3	13.5	60.3
Accumulated depreciation	(1.0)	(16.7)	(3.9)	(6.9)	(28.5)
Net book amount	**8.8**	**6.0**	**10.4**	**6.6**	**31.8**

(1) The Group adopted AASB 16 Leases on 1 July 2019 and recognised Right of Use Asset (refer to note 3.4).

Consolidated Entity	Land & building $m	IT hardware & software $m	Right of Use Asset $m	Other PPE $m	Total $m
At 1 July 2018					
Cost or fair value	7.1	18.0	–	11.6	36.8
Accumulated depreciation	(0.4)	(9.5)	–	(4.5)	(14.5)
Net book amount	**6.7**	**8.5**	**–**	**7.1**	**22.3**
Additions	1.4	1.5	–	2.4	5.3
Transfers	–	(2.5)	–	2.5	–
Depreciation charge	(0.3)	(2.8)	–	(2.1)	(5.2)
Asset write offs	–	–	–	(4.9)	(4.9)
Exchange differences	0.2	0.1	–	0.2	0.5
Additions through acquisition	2.7	–	–	2.6	5.3
Closing net book amount	**10.7**	**4.7**	**–**	**7.9**	**23.3**
At 30 June 2019					
Cost or fair value	11.5	18.9	–	12.6	43.0
Accumulated depreciation	(0.8)	(14.2)	–	(4.7)	(19.7)
Net book amount	**10.7**	**4.7**	**–**	**7.9**	**23.3**

3.4 Leases

The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options, with optionality used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Up until 30 June 2019, leases of property were classified as operating leases and payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use lease asset and a corresponding lease liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use lease asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use lease assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(a) Practical expedients applied by the Group

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use lease asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

3.4 Leases (continued)

(b) Impact on financial statements

The group has adopted AASB 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.99%.

	As at 1 July 2019 $m
Operating lease commitments disclosed as at 30 June 2019	14.7
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(0.5)
(Less): short-term leases recognised on a straight-line basis as expense	–
(Less): low-value leases recognised on a straight-line basis as expense	–
Add/(less): impact of renewal of existing leases	1.0
Lease liability recognised as at 1 July 2019	**15.2**
Of which are:	
Current lease liabilities[1]	4.1
Non-current lease liabilities[1]	11.1
	15.2

(1) Included in other current liabilities and other non-current liabilities on the statement of financial position.

The associated right-of-use lease assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use lease assets at the date of initial application.

The change in accounting policy affected the following items in the statement of financial position on 1 July 2019:

	30 June 2019 $m	**Change $m**	**1 July 2019 $m**
Property plant and equipment	23.3	–	23.3
Right-of-use lease assets	–	14.2	14.2
Deferred tax assets	9.6	–	9.6
Lease liabilities	–	(15.2)	(15.2)
Retained earnings	**136.1**	**(1.0)**	**135.1**

Had the accounting standard been effective 1 July 2018, the FY19 EBITDA would have increased by $1.5 million, $3.4 million and nil for B2C, B2B and Corporate respectively.

(c) Reconciliation of financing cashflows

	Opening Balance 1 July 2019 $m	**Interest 2020 $m**	**Payments 2020 $m**	**Reclass to current 2020 $m**	**Non Cash (FX) 2020 $m**	**Closing Balance 30 June 2020 $m**
Current lease liabilities	4.1	0.3	(4.5)	4.2	0.1	4.2
Non current lease liabilities	11.1	–	–	(4.2)	0.2	7.1
Total lease liabilities	**15.2**	**0.3**	**(4.5)**	**–**	**0.3**	**11.3**

4 Other disclosures

4.1 Equity

On 1 April 2020, the Company invited its shareholders to placement issue of 67.8 million shares and rights issue of 135.6 million ordinary shares at an issue price of $1.70 per share on the basis of 1 share for every 1 fully or partly paid ordinary shares held, with such shares to be issued on, and rank for dividends after 14 April 2020 for institutional investors and 28 April 2020 for retail investors. The issue was fully subscribed. The total number of ordinary shares outstanding at the end of the period was 339,002,523 (2019:135,509,355), inclusive of treasury shares of 167,882 (2019: 167,882).

(a) Movements in issued capital (excluding treasury shares)

	Number of shares Year ended 30 June		Year ended 30 June	
	2020 mil	2019 mil	2020 $m	2019 $m
Opening balance	135.3	118.5	510.8	329.2
Exercise of options(1)	–	1.3	–	6.9
Acquisition of subsidiary(2)	–	2.2	–	25.2
Placement and rights issue(3)	203.4	13.3	336.2	148.9
Issue of shares – Employee Share Plan Trust	0.1	0.1	0.4	0.6
Closing Balance	**338.8**	**135.3**	**847.4**	**510.8**

(1) Relates to the issue of 1.3 million shares on the exercise of the options vesting under the Managing Director share option plan in 2019.

(2) FY19 relates to the issue of 2.2 million shares at $11.61 per share to fund a portion of the DOTW acquisition. Refer note 3.2.

(3) FY20 placement and rights issue related to the capital raise to fund working capital of the Group. A total of 203.4 million shares were issued in April 2020 at $1.70 per share. Transaction costs (net of tax) incurred amounted to $9.6 million.
FY19 rights issue related to DOTW acquisition. A total of 13.3 million shares were issued in November 2018 at $11.50 per share. Transaction costs incurred amounted to $4.7 million.

4.2 Subsidiaries

The Group's subsidiaries as at 30 June 2020 are set out below. Unless otherwise stated, they are 100% owned, have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Australia

Webjet Marketing Pty Ltd[1]
Rez Group Pty Ltd[1]
Online Republic Pty Ltd[1]

United Arab Emirates

WebBeds FZ LLC
Destinations of the World DMCC
Destinations of the World Travel and Tourism LLC
DOTW Kuwait Limited
DOTW Propco Limited
Umrah Holidays International International FZ LLC[2]

United Kingdom

WebBeds Limited
SunHotels Ltd
Fyrkant Ltd
JAC Travel Limited
TotalStay Limited
Online Republic Group Limited (UK)
Incoming UK Limited
JAC Travel Group Acquisitions Limited
JAC Group (Holdings) Limited
JAC Travel Group Financing Limited
JAC Travel Group Investments Limited
JAC Travel Group (Holdings) Limited
Destinations of the World Limited (UK)

Other countries

Webjet International Limited
Bico T. S. HK Co Ltd
WebBeds Holding Co Limited
Shanghai Mei. Gao Information and Technologies Co., Ltd
Earlybird (Shenzen) Limited
JAC Travel Information Consulting (Beijing) Co Ltd
Bico T. S. Singapore Pte. Ltd.
FitRuums Pte Ltd
Bico Trip Co. Limited
Destinations of the World (Thailand) Co., Limited
DOTW Shared Services Inc.
Bico Trip Co. Ltd (Japan)
Destinations of the World (Malaysia) Sendirian Berhad
Webjet Marketing NZ Pty Limited
Online Republic Group Limited
Search Republic Limited[2]
SunHotels France
SunHotels Mundo
Busy Bee S.L
Flame S.R.L.
Travel Tech S. R. L.
JAC Travel Inc
Webbeds LLC
Destinations of the World Istanbul Sehayat Ve Turizm Anonim Sirketi
DOTW KSA Limited
Destinations of the World Saudi Arabia for Tourism LLC
Domitur S.A.
DOTW Kuwait for Hotels, Real Estate and Healthcare Centres Reservations WLL
Destinations of the World Holding Establishment
Destinations of the World (Subcontinent) Private Limited
Dominica de Turismo (Domitur) SRL
DOTW Holdings Limited

(1) Member of the Australian tax-consolidated group
(2) Only 51% interest held

4.3 Parent entity financial information

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

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

	As at 30 June	
	2020 $m	**2019 $m**
Balance sheet		
Current assets	276.9	3.1
Non-current assets	729.4	724.3
Total assets	**1,006.3**	**727.4**
Current liabilities	24.2	28.8
Non-current liabilities	132.0	156.2
Total liabilities	**156.2**	**185.0**
Net assets	**850.1**	**542.4**
Equity		
Issued capital	847.4	510.8
Reserves	(10.7)	5.2
Retained earnings	13.4	26.4
Total equity	**850.1**	**542.4**
Profit or loss for the period	1.5	11.9
Total comprehensive income	**1.5**	**11.9**

Guarantees entered into by the parent entity

The Parent entity, along with other associated subsidiaries, have collectively given financial guarantees for unsecured banking facilities granted to the Group as disclosed in note 4.8.

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

4.4 Taxation

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

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

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

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

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

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

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

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

(a) Income tax expense

	Year ended 30 June	
	2020 $m	**2019 $m**
Current tax		
Current year tax expense	1.2	19.9
Adjustment for current tax of prior periods	1.0	(0.3)
Total current tax expense	**2.2**	**19.6**
Deferred income tax		
Current year deferred tax	(17.5)	(3.8)
Adjustments for deferred tax of prior periods	–	(1.4)
Total deferred tax income	**(17.5)**	**(5.2)**
Income tax (benefit)/expense	**(15.3)**	**14.4**

4.4 Taxation (continued)

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

	Year ended 30 June 2020 $m	2019 $m
Profit/(loss) from continuing operations before income tax (benefit)/expense	(158.8)	74.7
Tax at the Australian tax rate of 30.0% (2019 – 30.0%)	**(47.6)**	**22.4**
Effect of income/expenses that are not assessable/deductible in determining taxable profit	5.5	(1.6)
Difference in overseas tax rates	24.6	(4.4)
Prior periods adjustments	1.0	(0.8)
Other	1.2	(1.3)
Income tax (benefit)/expense	**(15.3)**	**14.4**

(c) Movements in deferred tax assets

	Tax losses $m	Derivatives $m	Employee benefits $m	Other $m	Total $m
At 1 July 2018	0.7	2.7	1.9	1.1	6.4
(Charged)/credited					
– to profit or loss	(0.4)	–	1.3	0.3	1.2
– to other comprehensive income	–	1.9	–	(0.6)	1.3
– acquired through business combination	0.7	–	–	0.1	0.8
– under/over provision	–-	–	(0.1)	–	(0.1)
At 30 June 2019	**1.0**	**4.6**	**3.1**	**0.9**	**9.6**
(Charged)/credited					
– to profit or loss	13.7	–	(2.2)	1.9	13.4
– directly to equity	–	(0.4)	–	3.2	2.8
– acquired through business combination	–	–	–	–	–
– under/over provision	0.6	(0.4)	–	–	0.2
At 30 June 2020	**15.3**	**3.8**	**0.9**	**6.0**	**26.0**

In applying judgement in recognising deferred tax assets, all available information has been assessed, including five year future business profit projections. As at 30 June 2020, the group has recognised a deferred tax of $15.3 million related to unused tax losses of which $13.7 million losses were incurred during the current year. Of the total current year unused tax losses $3.5 million was attributable to B2C (Australia and New Zealand) and $10.5 million to B2B (predominately in offshore jurisdictions).

It is expected that these tax losses will be utilised by future taxable profits derived by the group, taking into account the reversal of existing taxable temporary differences and trading profits in the relevant jurisdictions to which the tax losses relate. There are no unrecognised deferred assets.

4.4 Taxation (continued)

(d) Movements in deferred tax liabilities

	Intangible assets $m	Interest receivable $m	Other $m	Total $m
At 1 July 2018	36.5	0.1	0.9	37.5
(Charged)/credited				
– to profit or loss	(2.0)	(0.2)	(0.4)	(2.6)
– to other comprehensive income	1.3	–	–	1.3
– (over)/under provision	(0.9)	–	(0.5)	(1.4)
At 30 June 2019	**34.9**	**(0.1)**	**–**	**34.8**
(Charged)/credited				
– to profit or loss	(4.5)	0.1	0.6	(3.8)
– directly to equity	–	–	0.5	0.5
– (over)/under provision	–	–	(0.4)	(0.4)
At 30 June 2020	**30.4**	**–**	**0.7**	**31.1**

(e) Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Webjet Limited. The members of the tax-consolidated group are identified in note 4.2.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

(f) Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation is effective from 1 July 2019 and addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

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

The impact of the uncertainty is determined by using the method that best predicts the resolution of the uncertainty; either the most likely amount method or the expected value method. The Group has established processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

The first-time application by the Group of Interpretation 23 Uncertainty over Income Tax Treatments did not have an impact on the consolidated financial statements because the accounting of uncertainties over income tax already corresponded to this provision in terms of both measurement and presentation in accordance with AASB 101 and AASB112.

(g) Nature of tax funding arrangements and tax sharing agreements

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

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

4.5 Financial risk management

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

(a) Capital risk management

The Group has a capital risk and investment policy to provide guidance for its capital requirements. The policy is reviewed annually to take into consideration the Group's changing risk and short and long-term funding needs. The Group's debt and capital includes ordinary share capital, and financial liabilities supported by financial assets. The Group has significant cash reserves and the investment policy ensures that the organisation maximises its return from funds invested whilst adopting a very conservative approach to risk and also ensuring sufficient working capital is maintained. The Group is managing its capital risk in responding to COVID-19 by way of negotiating waivers of financial covenant requirements and issuing €100 million in Notes. Refer to notes 2.3(c) and 4.9 for details.

(b) Classification of financial instruments

	Year ended 30 June	
	2020 $m	**2019 $m**
Financial Assets		
Loan and receivable	67.8	362.5
Cash and cash equivalents	209.6	211.4
Financial Liabilities		
Amortised cost	283.9	756.4
Derivatives	13.5	14.5

(c) Derivatives

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

	Year ended 30 June	
	2020 $m	**2019 $m**
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	0.9	0.7
Cross currency interest rate swap – part cashflow hedge, part net investment hedge	–	1.2
Non-current liabilities		
Cross currency interest rate swap – part cashflow hedge, part net investment hedge	12.6	12.6

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

(i) Cross currency interest rate swap contract

Webjet Limited entered into various cross currency interest rate swaps to hedge against variable floating borrowings in AUD as well as its net investment in foreign operations. Cross currency interest rate swaps are carried at their fair values in the consolidated financial statements of Webjet Limited with gains and losses recognised in equity through the foreign currency translation reserve or cashflow hedge reserves to the extent the hedge is effective. Any hedge ineffectiveness is recognised in profit and loss. In the current year, $1.4 million relating to hedge ineffectiveness was recognised in finance costs in the consolidated statement of profit and loss.

(ii) Forward exchange contracts

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

4.5 Financial risk management (continued)

(c) Market risk

(i) Foreign exchange risk

Foreign currency risk mainly arises from the groups purchase and sale of hotels in various foreign currencies. The B2B operations offer customers to purchase hotel bookings and payments are made to suppliers in various currencies, including Euro, United Arab Emirates Dirham, New Zealand Dollar, Singapore Dollar, Chinese Yuan, British Pound and United States Dollar. The Group's risk management policy is to hedge the net foreign currency risk arising from trading activities and uses forward exchange contracts for material currency pair exposures to hedge against currency fluctuation.

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

	USD $m	GBP $m	EUR $m	AED $m	NZD $m
30 June 2020					
Cash and cash equivalents	(44.6)	11.3	(75.2)	(17.9)	9.8
Trade receivables	26.9	1.0	9.1	(4.0)	1.9
Trade payables	(20.0)	(10.8)	(10.7)	1.0	(4.8)
Net exposure	**(37.7)**	**1.5**	**(76.8)**	**(20.9)**	**6.9**
Impact of 10% increase against functional currency	(3.8)	0.2	(7.7)	(2.1)	0.7
Impact of 10% decrease against functional currency	3.8	(0.2)	7.7	2.1	(0.7)
30 June 2019					
Cash and cash equivalents	13.5	14.8	1.6	4.7	3.9
Trade receivables	99.7	37.0	6.4	(7.9)	2.6
Trade payables	(85.9)	(23.2)	(7.1)	(7.2)	(3.4)
Total	**27.3**	**28.6**	**0.9**	**(10.4)**	**3.1**
Impact of 10% increase against functional currency	2.7	2.9	0.1	(1.0)	0.3
Impact of 10% decrease against functional currency	(2.7)	(2.9)	(0.1)	1.0	(0.3)

The sensitivity above shows a 10% increase and decrease in the functional currencies against the relevant foreign currencies presented in Australian dollars. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rates. A positive number indicates an increase in profit and other equity where the functional currency strengthens 10% against the relevant foreign currency. For a 10% weakening of the functional currency against the relevant foreign currency, there would be a comparable impact on the profit and other equity, and the balances would be negative.

(ii) Interest rate risk

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

As at 30 June 2020, the Group had cash and cash equivalents of $209.6 million (2019: $211.4 million). The average interest rate on all deposits was 0.4% (2019: 0.5%). Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. If interest rates were to increase or decrease by 0.4%, the impact to profit and loss would be an increase or decrease to interest revenue of $0.8 million.

4.5 Financial risk management (continued)

(d) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring the forecast and actual cashflows and matching the maturity profile of financial assets and liabilities. In April 2020, the Group undertook a capital raising of $346 million. Net proceeds received of $333.9 million have attributed to strengthening the cash position at 30 June 2020 and negated the impact of the decrease in earnings, net working capital deficit unwind during the period.

At 30 June 2020, the net debt position was positive $23 million (excess cash) and available liquidity of the Group stood at $350 million (including undrawn overdraft facilities of $140 million).

In July 2020, the Group further strengthened its liquidity position by issuing Notes for $163 million, of which $50 million has been used to retire a portion of the existing borrowings.

(i) Financing arrangements

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

	Year ended 30 June 2020 $m	2019 $m
Undrawn revolving credit facility[(1)]	140.0	56.6

(1) From 1 July 2020, the revolving credit facility will reduce by €25 million (A$40 million).

(ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for (a) all non-derivative financial liabilities, and (b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Total contractual cash flows $m	Carrying amount $m
30 June 2020					
Trade payables	97.0	–	–	97.0	97.0
Client deposits	10.6	–	–	10.6	10.6
Lease liabilities	4.4	3.7	3.5	11.6	11.3
Borrowings	9.6	52.3	131.3	193.2	186.9
Total non derivatives	**121.6**	**56.0**	**134.8**	**312.4**	**305.8**
Trading derivatives	0.9	–	–	0.9	0.9
Total financial liabilities	**122.5**	**56.0**	**134.8**	**313.3**	**306.7**

	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Total contractual cash flows $m	Carrying amount $m
30 June 2019					
Trade payables	540.6	–	–	540.6	540.6
Client deposits	9.9	–	–	9.9	9.9
Lease liabilities	–	–	–	–	–
Borrowings	23.3	9.5	183.7	216.5	205.9
Total non derivatives	**573.8**	**9.5**	**183.7**	**767.0**	**756.4**
Trading derivatives	1.0	–	–	1.0	1.0
Total financial liabilities	**574.8**	**9.5**	**183.7**	**768.0**	**757.4**

(iii) Client funds held

As at 30 June 2020, Webjet had $2.0 million of cash received from customers which are due to be paid to airlines in accordance with International Air Transport Association (IATA) requirements (2019: $29.2 million).

4.6 Other key accounting policies

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the group

Other than the AASB 16 (refer note 3.4) the adoption of new and amended standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Rounding of amounts accounting policy

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

(c) Going concern

The consolidated financial statements are prepared on a going concern basis. As at 30 June 2020, the Group recorded a loss after tax of $143.5 million (30 June 2019 profit after tax of $60.3 million), which was attributable to the impact of COVID-19 experienced within the travel industry that the Group operates in. In addition, operating cash outflows for 2020 were $250.8 million compared to cash inflows of $45.7 million in 2019.

The continued unpredictability of the COVID-19 pandemic on the resumption of travel has the potential to adversely impact the going concern basis of preparation. The latest five-year management forecasts anticipate a recovery to pre-COVID-19 levels in 2023. This is predicated on a COVID-19 vaccine available in 2021 and resumption of domestic travel in the first half 2021 and international travel in the second half 2021 as global border restrictions are lifted. The timing on when these events occur may potentially impact the Group's ability to continue as a going concern.

Noting the detrimental impact of COVID-19 and the uncertainties it presents, the directors believe there are reasonable grounds to conclude that the Group will continue as a going concern based on the following:

- The Group is in a net current asset position of $114 million as at 30 June 2020;
- As disclosed in the note 4.9 (i) the Company launched €100 million (A$163 million) of Notes. These were issued and listed on the Singapore Stock Exchange on 7 July 2020. The Notes have a seven-year term, with a non-redemption period ending 30 June 2021. Currently the Notes are cash settled. The Group expects that it can successfully mitigate the cash settlement risk prior to the expiry of the non-redemption period. A number of options available to mitigate the cash settlement risk are being explored, such as changing the terms of the Notes from cash settled to equity settled, or executing a hedge transaction that would allow the Group to effectively equity settle the Notes in the future;
- Following the Notes issue, the pro-forma liquidity of the Group was approximately $420 million ($320 million in cash combined with $100 million in unused revolving facilities).
- The Group has covenant waivers in place for reporting periods ended or ending 30 June 2020, 31 December 2020 and 30 June 2021, with the next testing date deferred to 30 September 2021.
- $130 million of the Group's remaining debt has been extended to November 2022, from the original maturity dates of November 2021 ($50 million) and August 2022 ($80 million).
- In addition, if the impact of COVID-19 on the business extends further than currently anticipated, the Group would be able to further extend cost saving initiatives and reduce monthly operating expenses resulting in the Group being able to meet its obligations for the next 12 months from the date of signing.

As a result of the factors noted above, the Directors believe the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the presentation of the consolidated financial report.

4.6 Summary of other key accounting policies (continued)

(d) Foreign currency translation accounting policy

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

(e) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. As a result of COVID-19, the Group received government assistance in the form of wage subsidies across various jurisdictions including Australia, New Zealand, Singapore, United Kingdom, Spain and Hong Kong. The Group received the subsidies from beginning of Q4 FY20 and expected to end by Q3 of FY21.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. In the current period, government subsidies are recognised as part of non-operating expenses. Refer to note 1.4.

4.7 Adoption of new accounting standards

In addition to AASB 16 Leases noted in section 3.4, the following minor amendments to standards became effective 1 July 2019:

- IFRS 10 and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 3 – Definition of a business
- Amendments to IAS 1 and IAS 8 – Definition of material
- Conceptual Framework – Amendments to References to the Conceptual Framework in IFRS Standards
- Interpretation 23 Uncertainty over Income Tax Treatments

The application of the above standards and amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial report.

4.8 Contingent liabilities

At 30 June 2020, the Group had drawn bank guarantee facilities amounting to $35.3 million (30 June 2019: $24.0 million). There are no other contingent assets or liabilities requiring disclosure as at the date of this report.

4.9 Events occurring after the reporting period

(i) COVID-19 pandemic

As disclosed in the Annual Report, the impact of the COVID-19 pandemic on the Group's current year performance has been severe.

The Group continues to monitor trading activity, liquidity as well as other relevant external factors (including changes in government restrictions, vaccine developments and global case numbers).

No adjustments to the key estimates and judgements that impact the consolidated statement of financial performance as at 30 June 2020 have been identified.

(ii) Notes offering and $50 million debt repayment

On 1 July 2020, the Group launched €100 million (A$163 million) 2027 Cash-settled Notes ("the Notes") which settled on 9 July 2020. The net proceeds from the Notes after deduction of commissions, professional fees, and other administrative expenses, were used to repay $50 million of the Group's existing term debt. In addition, the maturity of the remaining term debt has been extended to November 2022. The remainder of the proceeds will be used for ongoing capital management and potential future acquisitions.

Key terms of the Notes are set out below:

Issuer	Webjet Limited
Expected Issue Size	€100m
Term of Notes	7 years
Conversion period	From 1 July 2021 until 60 business days prior to the Final Maturity Date
Ranking	Direct, unconditional, unsubordinated, and (subject to the terms and conditions of the Notes) unsecured
Investor put option	9 July 2024
Issuer call option	4-year non-call, callable after the 4th anniversary plus 21 days, on not less than 55 business days' notice to Noteholders at the Redemption Amount, if the closing price of the ordinary shares (translated into EUR at the prevailing rate) for 30 consecutive dealing days, the last of which shall not fall earlier than 5 calendar days prior to the date of publication of the notice of redemption, was at least 130% of the prevailing Conversion Price (translated into EUR at the Fixed Exchange Rate)
Final Maturity Date	9 July 2027
Coupon	2.50% per annum, payable on a semi-annual basis
Conversion Premium	20% over the Reference Share Price, providing for a Conversion Price of A$4.092
Reference Share Price	The clearing price of the Delta Placement (A$3.41)
Fixed Exchange Rate	A$1.6238 = EUR1.00
Cash Settlement	The conversion of the Notes will be cash settled only in accordance with the terms and conditions of the Notes. The relevant Cash Settlement Amount will be calculated based on the relevant cash calculation period in accordance with the terms and conditions of the Notes
Conversion Price Adjustments	Standard anti-dilutive adjustments including Conversion Price adjustments for all dividends that trade ex after the Issue Date
Listing	Singapore Exchange Securities Trading Limited
Selling Restrictions	Reg S Only

(iii) Debt covenants

In August 2020, the Group's existing lenders consented to a waiver of certain financial covenants for the period 30 June 2021. The covenant test will be done at 30 September 2021, 31 December 2021, 31 March 2022 and 30 June 2022 and will be based on annualising the EBITDA for the period commencing 1 July 2021. The minimum liquidity requirement during the waiver period will be $125 million.

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

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 54 to 91 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

note 4.6 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors

Roger Sharp
Chairman
Melbourne,
19 August 2020

Deloitte.

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Independent Auditor's Report to the Members of Webjet Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Webjet Limited (the "Entity") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Webjet Limited, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the Key Audit Matter was addressed in the audit
Liquidity As at 30 June 2020, the Group has net assets of $805.1m and net current assets of $114.3m. The Group continues to manage its liquidity closely as disclosed in Note 4.5. In doing so, the directors have considered existing cash and working capital balances, borrowing terms including covenants and financing facilities available. In addition, they have considered budgets and forecast cashflows, which are inherently uncertain due to the impact of the COVID-19 pandemic.	Our procedures included, but were not limited to: • assessing the process undertaken by management to develop the budget and cash flow forecasts for the 12 month from the date of our audit opinion; • evaluating the key assumptions underlying the FY21 budget, including the impact of the COVID-19 pandemic and timing of resumption of travel demand; • assessing the quantum and timing of forecast cash flows in the FY21 cashflow forecast; • performing sensitivity analysis on the forecast cash flows, with reference to available cash balances and forecast cash flows from operating activities; • evaluating performance and cash flows in the period from year end to the audit opinion date against the FY21 forecast; • testing the underlying data generated to prepare the forecast scenarios and determining whether there was adequate support for the assumptions underlying the forecast; • reviewing correspondence relating to the availability of the Group's financing arrangements, including covenant waivers obtained by the Group in relation to its financing facility; • Testing the proceeds from the bonds issued in July 2020 and repayment of existing debt subsequent to the year ended 30 June 2020 to bank statements; and • assessing the appropriateness of the disclosures included in Note 4.6(c) to the financial statements.

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Key Audit Matter	How the Key Audit Matter was addressed in the audit
Allowance for expected credit losses for customers At 30 June 2020 an allowance for expected credilt losses (ECL) totalled $8.1 million as disclosed in Note 2.1. Losses are recognised on an impairment for ECL basis. ECLs are required to incorporate forward-looking information, reflecting the Group's view of potential future economic scenarios. Given the ongoing impact of the COVID-19 pandemic on economic and financial markets, significant judgement was required in calculating the ECL. This included judgements on the impact of COVID-19 on forward-looking information.	Our procedures included, but were not limited to: • obtaining an understanding of the key controls associated with key assumptions and calculations used to determine the impairment for ECL; • assessing the completeness and accuracy of data elements used in the ECL model; • evaluating management's forward-looking estimates, including the impacts of COVID-19; • assessing the appropriateness of management's judgments by verifying on a sample basis, the customers' historical payment patterns and whether any post year-end payments had been received up to the date of our audit opinion ; and • assessing the appropriateness of disclosures included in Note 2.1 to the financial statements.
Carrying value of goodwill and intangibles in relation to the B2B and B2C businesses As at 30 June 2020 the Group's goodwill and other intangible assets balance totalled $870.5 million which represents 72% of total assets as disclosed in Note 3.1. Goodwill and other intangible assets are required to be assessed for impairment annually or where there is an indicator of impairment. The recoverable amount of the B2B and B2C cash generating units (CGUs) have been determined using a value in use model (VIU), which incorporates significant judgement related to the estimation of future cash flows, short term growth rates, long term growth rates and discount rates. Trading conditions and forecast cashflows have been significantly impacted by the COVID-19 pandemic. The level of risk associated with the carrying value of goodwill and intangibles in relation to the B2B and B2C businesses has increased as a result of the inherent challenges in forecasting results due to COVID-19 as well as existing macro-economic uncertainty in global travel	Our procedures included, but were not limited to: • obtaining an understanding of the process that management undertook to perform their impairment assessment; and • evaluating the level at which goodwill is monitored, including the identification of CGUs. In conjuction with our valuation specialists, we: • evaluated the VIU models prepared by management and validated the reasonableness of the assumptions used to calculate the discount rate, long-term growth rates, terminal values, working capital levels and allocation of corporate costs compared to historical performance and industry benchmarks to ensure compliance with the relevant accounting standards; • assessed the projected cash flows for both the B2B and B2C businesses, including the assumptions relating to EBITDA growth rates and the impact of COVID-19 by considering

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Key Audit Matter	How the Key Audit Matter was addressed in the audit
demand.	independent estimates, third party evidence, economic and industry forecasts; • agreed the forecasted cashflows for FY21 to the latest Board approved budget; • assessed historical forecasting accuracy; • compared the market capitalisation of the Entity to the Group's net assets; • subjected the key assumptions to sensitivity analyses by applying delays in the timing of recovery in the travel and hotel industry to assess the impact of COVID-19; • assessed management's consideration of the sensitivity to a change in key assumptions that either individually or collectively would be required for goodwill and intangibles to be impaired and assessed the likelihood of such movement in those key assumptions arising; and • assessed the appropriateness of the disclosures included in Note 3.1 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going

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concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 47 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Webjet Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Entity are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants
Melbourne, 19 August 2020

Shareholder information

The shareholder information set out below was applicable as at 31 July 2020.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding

	Ordinary Shares	
Holding	Shares	Options
1 – 1,000	38,938	–
1,001 – 5,000	19,586	–
5,001 – 10,000	3,795	–
10,001 – 100,000	2,833	–
100,001 and over	141	–
	65,293	**–**

B. Voting rights

339,002,523 fully paid ordinary shares are held by 65,293 individual shareholders. All issued ordinary shares carry one vote per share.

C. Equity security holders

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

	Ordinary Shares	
Name	Number held	Percentages of shares issued
CITICORP NOMINEES PTY LIMITED	40,765,076	12.03
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	36,663,356	10.82
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	35,154,186	10.37
NATIONAL NOMINEES LIMITED	7,269,127	2.14
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	5,110,068	1.51
HALEN ISSUER DESIGNATED + ACTIVITY COMPANY	4,705,883	1.39
MR STEVEN SCHEUER <NO 1 ACCOUNT>	3,358,105	0.99
UBS NOMINEES PTY LTD	2,838,102	0.84
MR JOHN LEMISH	2,200,000	0.65
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,152,397	0.63
CHESTERS NOMINEES PTY LTD	1,941,176	0.57
SANDHURST TRUSTEES LTD <HARPER BERNAYS LTD A/C>	1,587,649	0.47
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,554,855	0.46
BNP PARIBAS NOMS PTY LTD <DRP>	1,382,418	0.41
BNP PARIBAS NOMINEES PTY LTD <NUMIS SECS CLIENT ACC DRP>	1,245,774	0.37
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,187,990	0.35
MR STEVEN SCHEUER <NO 2 ACCOUNT>	1,135,717	0.34
GLENN HARGRAVES INVESTMENTS PTY LTD	1,075,000	0.32
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	931,303	0.27
MS KING-ENG TAN	847,940	0.25
	153,106,122	**45.16**

D. Substantial holders

Substantial holders in the company are set out below:

Holding	Number held	Percentage
First Sentier Investors - Growth Australian Equities (Sydney)	20,011,013	5.90
Mr John Guscic (Melbourne)	10,265,016	3.03
Smallco Investment Manager (Sydney)	8,540,916	2.52
Vanguard Group (Philadelphia)	8,005,332	2.36
First Sentier Investors - Australian Small Companies (Sydney)	6,991,633	2.06
Remaining	285,188,613	84.13

Webjet Limited Corporate directory

Directors

- Roger Sharp
  Independent Non-Executive Director
  and Chairman
- John Guscic
  Managing Director
- Don Clarke
  Independent Non-Executive Director
- Brad Holman
  Lead Independent Non-Executive Director
- Shelley Roberts
  Independent Non-Executive Director
- Toni Korsanos
  Independent Non-Executive Director

Company Secretary

- Tony Ristevski
- Zi Mtenje

Principal registered office in Australia

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

Investor website

www.webjetlimited.com

Share register

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Adelaide South Australia 5000
Phone: +61 8 8236 2300

Auditor

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne Victoria 3000

Solicitors

Minter Ellison
525 Collins Street
Melbourne Victoria 3000

DLA Piper
140 Williams Street
Melbourne VIC 3000

Bankers

National Australia Bank
Level 30, 500 Bourke Street
Melbourne Victoria 3000

HSBC
Level 10, 333 Collins Street
Melbourne Victoria 3000

ANZ
Level 3, 100 Queen Street
Melbourne Victoria 3000

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