Travellers Choice Limited

OFFER INFORMATION STATEMENT

2019

ACN 121 496 900

IMPORTANT INFORMATION

This Offer Information Statement (OIS) has been prepared in accordance with the requirements of the Corporations Act (2001). The document should be read in its entirety and requires your immediate attention.

It is advisable to obtain professional investment advice prior to acting upon information contained within this OIS. This document is not a prospectus and as such, contains a lower level of disclosure than a prospectus.

This OIS is dated 19 December 2019 and it was lodged with the Australian Securities and Investments Commission (ASIC) on this date. ASIC takes no responsibility for the content of this OIS

CONTENTS

1.0 CORPORATE DIRECTORY

Travellers Choice Limited
ACN 121 496 900

REGISTERED OFFICE:
Ground Floor, 130 Royal Street
East Perth, Western Australia, 6004
Telephone: (08) 9223 6500

WEBSITE:
www.travellerschoice.com.au
www.travelagentschoice.com.au

DIRECTORS:
Trent Josiah Bartlett (Chairman)
Trinity Kate Hastwell
Philip Colin Dalley
Mark Francis Brady
Gregory Michael Close
Jacqueline Ann Wilson-Smith
Christian Edward Hunter (Managing Director)

COMPANY SECRETARY:
Christian Edward Hunter

AUDITOR:
Anderson Munro & Wyllie
Unit 8, 210 Winton Road,
Joondalup, Western Australia, 6027

LEGAL ADVISORS:
Hewett & Lovitt
Level 1, 849 Wellington Street
West Perth, Western Australia, 6005

2.0 OFFER FOR THE ISSUE OF SHARES

2.1 IMPORTANT INFORMATION

This OIS contains details of the offer to apply for shares in Travellers Choice Limited. This OIS is intended to raise capital of not more than $500,000.

Potential investors are recommended to:

- Read the contents of this OIS carefully.
- Obtain independent professional advice from your accountant, lawyer, financial advisor or any other party qualified to make judgement on the content of this document.
- Should you wish to proceed with an application for shares in Travellers Choice Limited, please complete the application form contained within this document and forward to Travellers Choice's registered office.

2.2 SUMMARY AND PURPOSE OF THE OFFER

The purpose of this OIS is twofold, namely to:

1) invite existing members of Travellers Choice Limited to subscribe for additional shares in order to raise working capital in the sum of up to $300,000 for the purposes described below; and

2) offer shares in the aggregate sum of up to $200,000 to other independent travel agents who wish to become members of the Company for the mutual benefit of the subscribers and existing members by reason of strengthening the company's capital base and volume of trade.

All shares issued are and will remain of a single class and have the same rights attached. Each share is issued at $5.00, being the same amount that is paid up on all existing issued shares. The minimum number that can be subscribed for is 200 shares and up to $500,000 of capital can be raised through this OIS.

All shares have the same right to dividend attached. Voting rights are allocated with one vote per shareholder, irrespective of the number of shares held.

Any funds raised will be used to support the ongoing operation of the Company and assist the development of additional marketing and member services in line with formalised strategic plans approved by the Board of the Company.

These plans include, but are not restricted to:

- Increasing industry and consumer awareness of the Travellers Choice brand through targeted content strategies
- Continued development of Travellers Choice's digital platforms such as TC Mail for database marketing and Site Builder member website solution.
- Further development of in-house training tools
- Continued development of business development tools and member mentoring program
- Expansion of member networking and educational program
- Investments in technology such as TC One to enhance member service offering

No securities will be issued on the basis of this OIS later than 13 months after the date of this OIS.

No amounts are payable to third parties in respect of the issue of securities pursuant to this OIS by way of fee, commission or charges.

3.0 BACKGROUND INFORMATION

Travellers Choice commenced operations under the name of Community Co-operative Travel Limited (CCTL) in 1977 as a cooperative company incorporated under the Companies (Co-operatives) Act 1943 (WA). The company originated with six like-minded, independent Western Australian travel agents, who came together for mutual benefit.

The cooperative expanded and grew into a buying group for independent travel agents comprising of 38 Western Australian agents by 1996.

At this time, the company strategy was to become a travel-marketing group, with a national network of independent travel agents. The group rapidly increased its numbers to the present level of 146 (as at 01 November 2019), with representation in every State.

CCTL's strategy also included the need for a strong travel brand. Travellers Choice was launched in March 2002.

The Co-operative structure served the group well from 1977 to 2006, when shareholders, at an Extraordinary General Meeting approved the conversion of the WA Co-operative Company to an unlisted Australian Public Company registered under the Corporations Act (2001). This structure and accompanying legislation was considered more appropriate for a modern, national organisation. The Company has however been careful to retain core cooperative principles within its constitution. The transfer of registration was approved by ASIC on 30th August 2006.

Since its formation, Travellers Choice Limited has been funded through shareholding issued to every member travel agent. Shares are of a single class and can only be held by members who actively trade through the Company. All shares are issued at $5.00 per share with a minimum holding of 200 shares per member.

4.0 BUSINESS OVERVIEW

Travellers Choice Limited is an Australian Public Unlisted Company, which acts cooperatively. The rationale behind this statement refers to the core cooperative principles that have been maintained in the Company's constitution. These include elements such as the requirement of members to be shareholders, one vote per member (irrespective of the shares held), a Board of Directors consisting of a majority of member travel agents and the culture of returning group income and profits to members on a regular basis. All of these philosophies ensure that members retain control of their company.

4.1 BUYING ARRANGEMENTS

The primary service afforded to Travellers Choice members is the negotiation of contracts with a selection of preferred suppliers. These agreements capitalise on the purchasing power of the combined membership along with additional revenues earned through focussed and directional selling.

Travellers Choice entered into a long-term collective purchasing agreement with the Jetset Travelworld Group (JTG) in 2009. JTG undertook a corporate re-brand in July 2013 and is now known as Helloworld Limited (HLO).

The collective purchasing agreement was extended in July 2013 and now has been extended for a third term, effective 01 July 2018 for a five-year period.

Under this agreement, Travellers Choice appoints HLO as its agent in the negotiation of key commercial agreements with selected suppliers. This approach has delivered benefits to both parties through the increased leverage of combined sales. Jointly negotiated agreements contain the same elements as individually contracted arrangements. Each agreement has a number of core elements, which traditionally include:

- At-source commission benefits to members;
- Marketing support; and
- Incentive/override commissions (often subject to target achievement)

A small portion of any marketing support and incentive commissions received through the corporate office are retained to cover the operation costs of the Company and contribute towards generated profits. The remainder is returned to shareholders on an annual basis, pro-rata to each member's volume of trade with Travellers Choice's preferred suppliers.

4.0 BUSINESS OVERVIEW (CONTINUED)

4.2 MARKETING SERVICES

Since the launch of Travellers Choice as a brand, the Board and management have placed a considerable focus on building company sales through a national marketing and branding strategy.

Travellers Choice provides member travel agents with a number of co-branding options. These initiatives enable each member to retain its independence, whilst capitalising on the business benefits achieved through association with a nationally recognised brand.

Services presently provided are:

- Agency branding and logo design
- Member websites (Site Builder)
- Digital marketing (SEO and SEM)
- Social media management and support
- Database marketing platform (TC Mail)
- Database marketing services
- National advertising campaigns and competitions
- Agency sales incentives
- Specialist Cruise Club
- Local area marketing support
- In-house graphic design service
- Magazines and point of sale materials
- Phone on-hold messaging
- Wetu Itinerary Builder

4.3 MEMBER SERVICES

A number of additional services are afforded to members as part of their annual fees. These currently include:

- Annual national Travellers Choice Conference organisation
- Annual state-based Frontliners product training
- Group membership of the Australian Federation of Travel Agents (AFTA)
- Participation costs associated with the AFTA Travel Accreditation Scheme (ATAS)
- Access to an exclusive member extranet site (TC Hub)
- Access to an exclusive member Facebook group (TC Connect)
- Access to online human resource document templates (HR Toolkit)
- Access to online business planning tools (Business Toolkit)
- Problem solving service (through business relationships developed with suppliers and professional advisors)
- Dedicated Business Development Managers for each State
- Trade media distribution
- Access to an exclusive member educational program
- Access to a multi-faceted training program offering member mentoring, inhouse webinars and a professional training and development service (TC Pro)
- Access to a ground-breaking online booking platform exclusively available to Travellers Choice members (TC One)

4.0 BUSINESS OVERVIEW (CONTINUED)

4.4 AIRLINE TICKETING SERVICES

Full airline consolidation services are provided to all members through a preferred arrangement with Air Tickets.

This arrangement has been in place for several years and continues to deliver a competitive and high-quality ticketing service to Travellers Choice members.

4.5 WORLDWIDE INDEPENDENT TRAVEL NETWORK (WIN)

Travellers Choice is the Australian representative in the global independent travel network, WIN. The organisation has been in existence since 1993 and Travellers Choice has been its Australian member since 2003.

WIN comprises of likeminded, major independent travel groups from more than twenty countries, representing more than 6,000 travel agents around the world.

Membership of WIN provides Travellers Choice access to product that would not traditionally be available in the Australian marketplace. It provides greater buying power and economy of scale efficiencies along with excellent intelligence into different global travel markets.

4.6 SNOWSTORM TECHNOLOGIES (UK) LTD

Travellers Choice has entered into a loan arrangement with Snowstorm Technologies (UK) Ltd (SSTL), which is the provider of TC One, Travellers Choice's internal booking platform. The loan is in the form of an interest-bearing debenture for the amount of US $350,000 (Australian $511,763), which was paid by Travellers Choice in December 2019 and being a post-balance date event, is not reflected in the audited financial statements that form part of this document.

The debenture is fully redeemable at Travellers Choice's demand and has the capacity to be converted into shares in SSTL at an agreed conversion rate.

5.0 TRAVELLERS CHOICE - INTO THE FUTURE

Independent travel agents are facing increasing business pressure due to diminishing margins, direct selling by product suppliers and the increasing trend of travel sales via the Internet. However, the Board and management of Travellers Choice believes that this sector of the travel distribution system has a solid future based around a strong travel brand and focused marketing activities.

A key factor in any success will be membership of a strong group. Travellers Choice has positioned itself as the representative and buying agent of a major group of travel agents within the Australian travel industry, currently representing annual member sales of approximately $515 million.

The Board sees Travellers Choice's future positioning as the champion of truly independent, quality travel agents. The Board has a commitment to growth and aims to achieve some of the following objectives to further benefit the company and its members:

- Increasing membership numbers
- Increasing group sales to $600 million
- Increasing group preferred supplier sales
- Improving the effectiveness of marketing activities

5.1 TRAVELLERS CHOICE'S PEOPLE

The Board of Directors of Travellers Choice consists of four member travel agent owners along with three non-member directors. Further information relating to individual Board members can be found in the Directors' Report in the financial statements. Collectively, the Board possesses a diverse range of skills and is fully committed to achieving the strategic goals of the Company.

Christian Hunter (Managing Director & Company Secretary), was appointed to the role in November 2015 and has been employed by Travellers Choice in various capacities since 2004.

Christian, along with Robyn Mitchell (GM Marketing), Nicola Strudwick (GM Sales) and Lutz Poelchow (GM Finance & Administration), collectively form the Senior Management Group (SMG) and take responsibility for the operations of the company.

A further 17 dedicated staff members make up the remainder of the Travellers Choice team, including five state-based Business Development Managers.

6.0 RISKS INVOLVED WITH INVESTMENT

As with any investment, there are risks involved with an investment in Travellers Choice.

The Directors of Travellers Choice have provided all information to the best of their knowledge in relation to the expected future operations of Travellers Choice having exercised reasonable care, but the Directors disclaim any liability in the event than any opinions or forecasts expressed are not fulfilled.

6.1 MEMBER PARTICIPATION

The income of Travellers Choice is predominantly derived through override/incentive commission and marketing support from preferred suppliers. Receipt of these funds is conditional upon achieving pre-determined performance criteria of the collective group of agents.

In addition, members can variably support preferred suppliers product, impacting on the group's overall performance.

Investors face a risk in this area as income (and subsequently profit) can be significantly affected should the collective performance criteria not be achieved. Future agreements with preferred suppliers could be amended or withdrawn based on collective group performance.

6.2 COMPETITIVE ENVIRONMENT

The travel industry is one of the most dynamic and competitive industries in modern society. Travel agents' access to traditional business streams has been eroded due to the growth of the Internet and direct booking facilities along with reduced commissions paid to travel agents by airlines.

These distribution channels may, at times, represent a lower cost of sale to preferred suppliers than use of a travel agent and have an impact on the income earning potential of travel agency groups.

The impact of these elements on the future profitability of Travellers Choice is not measurable. Investors are advised to make their own assessments on the potential risks associated with these competitive issues.

6.3 EXTERNAL FACTORS

A number of global factors, over which travel agents have no control, can have significant impact on the consumers' appetite to travel. In recent years, examples of such occurrences are the global financial crisis, increase of World terrorism, the Ebola, SARS and Bird Flu epidemics along with natural disasters such as volcanic eruptions, tsunamis and earthquakes.

In extreme circumstances, events such as these can result in a reduction in travel and consequently impair the group's ability to achieve sales targets

6.0 RISKS INVOLVED WITH INVESTMENT

(CONTINUED)

6.4 COMPANY MANAGEMENT

Through its Audit and Risk Committee, the Board and management of Travellers Choice has examined the internal and external environments in which Travellers Choice operates. It has highlighted potential risks that the Company and its investors could be exposed to. Consequently, a full risk profile has been developed which forms the basis of the Company's audit and assurance oversight program.

In order to secure the continuity of services from senior management, contracts with staggered termination dates have been implemented.

6.5 SALE OF SHARES

As shares in Travellers Choice are not listed on any stock exchange, there is not a liquid market for the shares.

Shares can be repurchased in accordance with S257 of the Corporations Act 2001 providing approval of the Company is received at the General Meeting.

Members have the ability to sell their shares to an existing member. To facilitate this, the Company will maintain a register of the shares that any member wishes to make available for sale, and will inform any prospective purchaser who expresses an interest. However, the Company is legally constrained from soliciting for purchasers on behalf of sellers or otherwise making a market for the shares.

7.0 AUDITED FINANCIAL STATEMENTS

The audited financial statements on the following pages are those as at 30 June 2019.

See Appendix A.

8.0 CONSENTS

Each of the Directors of Travellers Choice Limited has given and has not withdrawn before the date of this OIS their consent to the issue of this OIS and to its lodgement with the Australian Securities and Investments Commission.

The auditor of Travellers Choice Limited has given and has not withdrawn before the date of this OIS his consent to the inclusion in this OIS of his report on the Financial Statements for the year ended 30 June 2019.

The legal advisor to Travellers Choice has given and has not withdrawn its consent to be named in this OIS.

9.0 APPENDIX A

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019	2018
		$	$
Revenue	2	7,162,549	6,886,498
Cost of sales	3	(1,114,520)	(1,090,004)
Gross profit		6,048,029	5,796,494
Other revenues	2	2,357,609	2,361,516
Annual conference		(570,690)	(558,065)
Computer expenses		(43,982)	(38,490)
Consultancy fees		(53,129)	(54,528)
Depreciation and amortisation expenses	3	(79,154)	(79,500)
Director fees		(96,616)	(88,197)
Fees (Corp/TCF/Lic./BSP)		(135,067)	(122,446)
Insurance expense		(20,715)	(21,989)
Marketing costs		(1,855,126)	(1,579,701)
Member overrides		(745,740)	(489,324)
Rent	3	(171,482)	(169,243)
Salaries & wages		(2,028,585)	(1,942,272)
Ticketing fee		(61,611)	(1,008,962)
Other expenses from ordinary activities		(492,954)	(479,389)
Profit before income tax	3	2,050,787	1,525,904
Income tax (expense)/credit	4	(20,514)	31,572
Profit for the year		2,030,273	1,557,476
Other comprehensive income		-	-
Total comprehensive income attributable to members of the Company		2,030,273	1,557,476

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	NOTE	2019	2018
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	1,159,693	804,436
Trade and other receivables	8	412,932	403,398
Other assets	9	3,126,509	2,997,099
TOTAL CURRENT ASSETS		4,699,134	4,204,933
NON-CURRENT ASSETS			
Property, plant and equipment	10	41,261	66,098
Intangible assets	11	67,250	96,034
Deferred tax assets	13	314,386	299,312
TOTAL NON-CURRENT ASSETS		422,897	461,444
TOTAL ASSETS		5,122,031	4,666,377
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	1,057,650	1,156,877
Borrowings		23,177	28,540
Current tax liabilities	13	-	-
Provisions	14	233,904	224,164
TOTAL CURRENT LIABILITIES		1,314,731	1,409,581
NON-CURRENT LIABILITIES			
Provisions	14	49,388	55,890
Deferred tax liabilities	13	859,790	824,202
TOTAL NON-CURRENT LIABILITIES		909,178	880,092
TOTAL LIABILITIES		2,223,909	2,289,673
NET ASSETS		2,898,122	2,376,704
EQUITY			
Issued ordinary share capital	15	451,280	451,280
Retained earnings		2,446,842	1,925,424
TOTAL EQUITY		2,898,122	2,376,704

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	ISSUED ORDINARY SHARE CAPITAL	RETAINED EARNINGS	TOTAL
		$	$	$
Balance at 01 July 2017		444,255	1,864,965	2,309,220
Share issued during the year		7,025	–	7,025
Net profit for the year		–	1,557,476	1,557,476
Subtotal		451,280	3,422,441	3,873,721
Dividends and rebates paid		–	(1,497,017)	(1,497,017)
Balance at 30 June 2018		451,280	1,925,424	2,376,704
Share issued during the year		–	–	–
Net profit for the year		–	2,030,273	2,030,273
Subtotal		451,280	3,955,697	4,406,977
Dividends and rebates paid		–	(1,508,855)	(1,508,855)
Balance at 30 June 2019		451,280	2,446,842	2,898,122

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019	2018
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		9,400,146	8,902,514
Payments to suppliers and employees		(7,520,712)	(7,704,143)
Interest received		10,211	19,812
Income tax paid		–	–
Net cash provided by operating activities	19a	1,889,645	1,218,183
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(9,817)	(12,512)
Purchase of intangible assets		(15,716)	(59,850)
Net cash (used in)/ generated from investing activities		(25,533)	(72,362)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	8,024
Dividends and rebates paid		(1,508,855)	(1,497,017)
Net cash used in financing activities		(1,508,855)	(1,488,993)
Net decrease in cash held		355,257	(343,172)
Cash and cash equivalents at beginning of year		804,436	1,147,608
Cash and cash equivalents at end of year	7	1,159,693	804,436

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

The financial statements and notes represent those of Travellers Choice Limited. Travellers Choice Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 23 September 2019 by the Directors of Travellers Choice Limited.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar unless stated otherwise.

a. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(a) the initial recognition of goodwill; or

(b) the initial recognition of an asset or liability in a transaction which:

 (i) is not a business combination; and

 (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b. Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

c. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Furniture & office equipment	40% prime cost
Vehicles	25% diminishing value

The assets' residual values and useful lives 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 the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d. **Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership), that are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the fair value of the leased property and the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

e. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss” in which case transaction costs are recognised as expenses in profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer’s credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.
A financial liability cannot be reclassified.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value (if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with AASB 9.3.25.3; and
- the amount initially recognised less the accumulative amount of income recognised in accordance with the revenue recognition policies.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Company initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the Groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Company made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Company's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie the company has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Derivative financial instruments

The Company enters into various derivative financial instruments (ie foreign exchange forward contracts and interest rate swaps) to manage its exposure to interest rate and foreign exchange rate risks. Derivative financial instruments are initially and subsequently measured at fair value. All gains and losses subsequent to the initial recognition are recognised in profit or loss.

Hedge accounting

At the inception of a hedge relationship, the Group identifies the appropriate risks to be managed by documenting the relationship between the hedging instrument and the hedged item, along with risk management objectives and the strategy for undertaking various hedge transactions.

The Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. That is, whether the hedging relationships meet all of the following hedge effective requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedged ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company uses to hedge the quantity of hedged item.

When the hedging relationship ceases to meet the hedging ratio requirement, the Company rebalances the hedge so that it meets the qualifying criteria again.

Discontinuation of hedge is not voluntary and is only permitted if:

- the risk management objective has changed;
- there is no longer an economic relationship between the hedged item and the hedging instrument; or
- the credit risk is dominating the hedge relationship.

Qualifying items

Each eligible hedged item must be reliably measurable and will only be designated as a hedge item if it is made with a party which is not part of the Company and is from one of the following categories:

- a recognised asset or liability (financial or non-financial);
- an unrecognised firm commitment (binding agreement with specified quantity, price and dates); or
- a highly probable forecast transaction.

Fair value hedges

At each reporting date, except when the hedging instrument hedges an equity instrument designated as at fair value through other comprehensive income, the carrying amount of the qualifying hedge instruments will be adjusted for the fair value change and the attributable change is recognised in profit and loss, at the same line as the hedged item.

When the hedged item is an equity instrument designated as at fair value through other comprehensive income, the hedging gain or loss remains in other comprehensive income to match the hedging instrument.

Cash flow hedges

The effective portion of the changes in fair value of the hedging instrument is not recognised directly in profit or loss, but to the extent the hedging relationship is effective, it is recognised in other comprehensive income and accumulated under the heading Cash Flow Hedging Reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion (balancing figure) is recognised immediately in profit or loss.

Hedge accounting on cash flow hedge instruments is discontinued prospectively when the hedge relationship no longer meets the qualifying criteria. Amounts recognised in the cash flow hedging reserve that are related to the discontinued hedging instrument will immediately be reclassified to profit or loss.

Preference shares

Preferred share capital is classified as equity if it is non-redeemable or redeemable only at the discretion of the Parent Entity, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the Directors. Preferred share capital is classified as a liability if it is redeemable on a set date or at the option of the shareholders, or where the dividends are mandatory. Dividends thereon are recognised as interest expense in profit or loss.

Compound financial instruments

Compound instruments (convertible preference shares) issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the arrangements. An option that is convertible and that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the company's own equity instruments will be classified as equity.

The fair value of the liability component is estimated on date of issue. This is done by using the prevailing market interest rate of the same kind of instrument. This amount is recognised using the effective interest method as a liability at amortised cost until conversion or the end of life of the instrument.

The equity portion is calculated by deducting the liability amount from the fair value of the instrument as a whole. The equity portion is not remeasured after initial recognition. Equity will remain as such until the option is exercised. When the option is exercised a corresponding amount will be transferred to share capital. If the option lapses without the option being exercised the balance in equity will be recognised in profit or loss.

Costs of the transaction of the issue of convertible instruments are proportionally allocated to the equity and liability. Transaction costs in regards to the liability are included in the carrying amount of the liability and are amortised over its life using the effective interest method. Transaction cost in equity is directly recognised in equity.

Impairment

The Company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Company uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach;
- the simplified approach;
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

General approach

Under the general approach, at each reporting period, the Company assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Purchased or originated credit-impaired approach

For a financial asset that is considered credit-impaired (not on acquisition or origination), the Company measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (eg default or past due event);
- a lender granting to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- high probability that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Company assumes that the credit risk has not increased significantly since initial recognition and accordingly it can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the Company applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

f. **Impairment of Assets**

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

g. **Intangible Assets Other than Goodwill**

Acquired customer contracts and the related client relationships

Client relationships are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and impairment loss. Client relationships are tested annually for impairment, if there are indications of impairment, and are amortised on a straight-line basis over their useful lives. As at the end of the reporting period, these assets were fully amortised (no remaining useful life) but are still in use.

Trademarks

Trademarks are recognised at cost of acquisition. They include words, names, symbols or other devices used in trade to indicate the source of the product or service, and to distinguish the product or service from the source of others. Trademarks are deemed to have indefinite useful lives and are carried at cost. They are tested annually for impairment.

Software and website development costs

Software and website development costs are capitalised only when the Company can demonstrate all of the criteria outlined in AASB 138.57. Software and developed websites are considered as having finite useful lives and are amortised on a systematic basis over their useful lives so as to match the economic benefits received to the periods in which the benefits are received. Amortisation begins when the software or websites become operational.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amortisation rates used for each class of intangible asset with a finite useful life are:

Class of Fixed Asset	Depreciation Rate
Website Development	25% prime cost

h. Employee Benefits

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees up to balance date. These entitlements include wages and salaries, annual leave, and long service leave. Employee entitlements have been measured at the current values of leave owing to the respective employee, plus related on-costs. The calculation has been made for all employees from the date of commencement and the liability is classified as current for all employees who have completed seven years of continuous service at the reporting date.

Employees are entitled to take that balance as leave in the current financial year and / or have it paid out to them if they cease employment with the Company.

The Company's obligations for short-term employee benefits such as wages and salaries are recognised as part of current trade and other payables in the statement of financial position. The Company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

i. Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

j. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

k. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument. All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of Goods and Services Tax (GST).

l. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(e) for further discussion on the determination of impairment losses.

m. Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at cost using the effective interest method.

Trade and other payables represent the liabilities for goods and services received by the Company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from financing and investing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

o. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Company retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

p. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates

(i) Impairment

The Company assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgments

(i) Provision for impairment of receivables

NIL.

(ii) Available-for-sale investments

NIL.

(iii) Employee benefits

For the purpose of measurement, AASB 119: Employee Benefits defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the Company expects that all its employees would use all their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the Directors consider that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

q. New Accounting Standards for Application in Future Periods
Impact of Standards issued but not yet applied by the company

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

The Company has chosen not to early-adopt AASB 16. However, the Company has conducted a preliminary assessment of the impact of this new Standard, as follows.

A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees, as the Standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new Standard. There are, however, two exceptions allowed: short-term and low-value leases.

Basis of preparation

The accounting for the Company's operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the Company from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated as the entity has chosen to apply AASB 16 retrospectively with cumulative effect. While the right-of-use assets for property leases will be measured on transition as if the new rules had always been applied, all other right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

The Company's non-cancellable operating lease commitments amount to $741,307 as at the reporting date. Of this $741,307, approximately $741,307 of short-term leases and $Nil of low-value leases will be recognised as expenses in profit or loss on a straight-line basis.

The Company has performed a preliminary impact assessment and has estimated that on 1 July 2019 the company expects to recognise right-of-use assets and lease liabilities of approximately $741,307 (after adjusting for prepayments and accrued lease payments recognised as at 30 June 2019).

Following the adoption of this new Standard, the Company's net profit after tax is expected to increase by approximately $102,000 in 2020.

The repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities, thus increasing operating cash flows and decreasing financing cash flows by approximately $155,000.

r. New and Amended Accounting Policies Adopted by the company
Initial application of AASB 9: *Financial Instruments*

The Company has adopted AASB 9: *Financial Instruments* with an initial application date of 1 July 2018. As a result, the Company has changed its financial instruments accounting policies as follows.

Considering the initial application of AASB 9 during the financial period, financial statement line items have been affected for the current and prior periods. The following tables summarise the adjustments made to the affected financial statement line items.

AASB 9 requires retrospective application with some exceptions (eg hedge accounting in terms of the Standard).

There were no financial assets/liabilities which the Company had previously designated as fair value through profit or loss under AASB 139: *Financial Instruments: Recognition and Measurement* that were subject to reclassification/elected reclassification upon the application of AASB 9. There were no financial assets/liabilities which the company has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

The Company applied AASB 9 (as revised in July 2014) and the related consequential amendments to other Standards. New requirements were introduced for the classification and measurement of financial assets and financial liabilities, as well as for impairment and general hedge accounting.

The date of initial application was 1 July 2018. The Company has applied AASB 9 to instruments that have not been derecognised as at 1 July 2018 and has not applied AASB 9 to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that have not been derecognised as at 1 July 2018 have been restated where appropriate.

Financial assets in terms of AASB 9 need to be measured subsequently at either amortised cost or fair value on the basis of the Company's business model and the cash flow characteristics of the financial assets, as follows:

- debt investments that are held within a business model whose goal is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose goal is both to collect contractual cash flows and to sell them, and that have contractual cash flows that are purely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income; and
- all other debt investments and equity investments are measured at fair value through profit or loss.

Despite the issues mentioned, the Company may make the following irrevocable elections at initial recognition of a financial asset:

- The Company may choose to present in other comprehensive income subsequent changes in the fair value of an equity investment that is not held for trading and is not a contingent consideration in a business combination.
- The Company may choose to present a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if this choice significantly reduces an accounting mismatch.

When an equity investment at fair value through other comprehensive income has a gain or loss previously recognised in other comprehensive income, it is not reclassified to profit or loss. However, when a debt investment at fair value through other comprehensive income is derecognised, the gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to impairment.

The Directors of the Company determined the existing financial assets as at 1 July 2018 based on the facts and circumstances that were present, and determined that the initial application of AASB 9 had the following effect:

- The Company's investments in equity instruments not held for trading that were previously classified as available-for-sale financial assets and were measured at fair value have been designated as at fair value through other comprehensive income. The movement in fair value on these equity instruments is accumulated in the financial assets reserve.
- Financial assets as held-to-maturity and loans and receivables that were measured at amortised cost continue to be measured at amortised cost under AASB 9, as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.
- Financial assets measured at fair value through profit or loss under AASB 139 are still measured as such under AASB 9.

As a result of the classification change in investments in equity instruments, the fair value gain on available-for-sale financial assets recognised in other comprehensive income of $NIL (2018: $NIL) to be designated as at fair value through other comprehensive income will not be reclassified to profit or loss subsequently.

This note contains a table that shows the effect in classification of the financial assets upon initial application.

Impairment

As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per AASB 139. To reflect changes in credit risk, this expected credit loss model requires the Company to account for expected credit loss since initial recognition.

AASB 9 also determines that a loss allowance for expected credit loss be recognised on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts as the impairment provision would apply to them.

If the credit risk on a financial instrument did not show significant change since initial recognition, an expected credit loss amount equal to 12-month expected credit loss is used. However, a loss allowance is recognised at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the instrument is an acquired credit-impaired financial asset.

A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

The Company reviewed and assessed the existing financial assets on 1 July 2018. The assessment was made to test the impairment of these financial assets using reasonable and supportable information that is available to determine the credit risk of the respective items at the date they were initially recognised, and to compare that to the credit risk as at 1 July 2017 and 1 July 2018. The assessment was performed without undue cost or effort, in accordance with AASB 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2 REVENUE AND OTHER INCOME

	NOTE	2019	2018
Revenue		$	$
Sales revenue:			
– Sale of services and commission		7,162,549	6,886,498
Other revenue:			
– Membership fees		467,362	469,891
– Insurance commission		372,379	356,293
– Conference fees		602,367	667,122
– Cruise Club annual fees		58,705	57,570
– Interest received	2a	10,211	19,812
– Marketing revenue		822,237	774,540
– Profit on sale of investments		–	–
– Other income		24,348	16,288
		2,357,609	2,361,516
Total revenue		9,520,158	9,248,014
a. Interest revenue from:			
– Banks		10,211	19,812
		10,211	19,812

NOTE 3 PROFIT FOR THE YEAR

Profit before income tax from continuing operations includes the following expenses:

	NOTE	2019	2018
Expenses		$	$
Cost of sales		(1,114,520)	(1,090,004)
Depreciation of property, plant and equipment		(34,654)	(41,680)
Amortisation of intangible assets		(44,500)	(37,820)
Rental expense on operating leases		(171,482)	(169,243)

NOTE 4 INCOME TAX (CREDIT)/EXPENSE

	NOTE	2019	2018
a. The components of tax expense comprise:		$	$
– Current tax expense		-	-
– Deferred tax expense/(income) relating to the origination and reversal of temporary differences	13	20,514	(31,572)
		20,514	(31,572)
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2018: 27.5%)		563,966	419,624
Tax effect of:			
– Non-deductable income and expenses		843,201	802,398
– Deductible income and expenses		(1,407,167)	(1,222,022)
– Deferred tax asset/liability brought to account		20,514	(31,572)
Income tax attributable to Company		20,514	(31,572)
The applicable income tax rate is the Australian federal tax rate of 27.5% (2018: 27.5%) applicable to Australian resident companies.			
Weighted average effective tax rates are:		1%	2%

NOTE 5 DIVIDENDS

Dividends recognised as distributions and paid during the period:

	2019	2018
	$	$
Declared 5% unfranked ordinary dividend of 25 (2018: 25) cents per share franked at the tax rate of 27.5% (2018: 27.5%)	22,564	22,564
	22,564	22,564
Per share dividends amount paid during the period	25 cents	25 cents

NOTE 6 AUDITORS' REMUNERATION

	NOTE	2019	2018
		$	$
Remuneration of the auditor is as follows:			
– Auditing and preparation of the financial statements		14,047	14,600
– Auditing of other information		2,500	2,900
		16,547	17,500

NOTE 7 CASH AND CASH EQUIVALENTS

	NOTE	2019	2018
		$	$
Cash at bank and on hand		854,598	701,090
Short-term deposits		305,095	103,346
	21	1,159,693	804,436

The effective interest rate on short-term bank deposits was 2.20% (2018: 2.41%); these deposits have an average maturity of 180 days (2018: 114 days).

Cash and cash equivalents balance as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows:		
Per the statement of financial position	1,159,693	804,436
Less bank overdraft	-	-
Per the statement of cash flows	1,159,693	804,436

NOTE 8 TRADE AND OTHER RECEIVABLES

	NOTE	2019	2018
		$	$
CURRENT			
Trade receivables		419,297	396,053
Provision for impairment of doubtful receivables		–	–
		419,297	396,053
Other receivables:			
Travel centre receivables		(6,365)	7,345
Total current trade and other receivables		412,932	403,398

Credit risk

The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 8. The main sources of credit risk to the Company are considered to relate to the classes of assets described as "trade and other receivables".

The following table details the Company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Company.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	GROSS AMOUNT	PAST DUE AND IMPAIRED	PAST DUE BUT NOT IMPAIRED (DAYS OVERDUE)			NOT PAST DUE
			<30	31-60	>60	
2019	$	$	$	$	$	$
Trade and term receivables	419,297	–	317,313	89,948	12,036	–
Other receivables	(6,365)	–	–	–	–	–
Total	412,932	–	317,313	89,948	12,036	–
2018	$	$	$	$	$	$
Trade and term receivables	396,053	–	338,646	49,463	7,944	–
Other receivables	7,345	–	7,345	–	–	–
Total	403,398	–	373,063	49,463	7,944	–

The Company does not hold any financial assets whose terms have been renegotiated and would otherwise be past due or impaired.

	NOTE	2019	2018
		$	$
a. Financial assets classified as trade and other receivables			
Trade and other receivables:			
– Total current		412,932	403,398
Total financial assets classified as trade and other receivables	21	412,932	403,398

b. Collateral held as security

No collateral is held over trade and other receivables.

NOTE 9 OTHER ASSETS

	NOTE	2019	2018
		$	$
CURRENT			
Prepayments		288,010	286,234
Accrued income		2,838,499	2,710,865
		3,126,509	2,997,099

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

	NOTE	2019	2018
		$	$
PLANT AND EQUIPMENT			
At cost		150,119	140,302
Accumulated depreciation		(108,858)	(74,204)
Total plant and equipment		41,261	66,098

a. **Movements in carrying amounts**
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	FURNITURE & OFFICE EQUIPMENT	VEHICLES	TOTAL
	$	$	$
Balance at 01 July 2017	46,194	49,072	95,266
Additions	12,512	–	12,512
Disposals – at written-down value	–	–	–
Depreciation expense	(29,441)	(12,239)	(41,680)
Carrying amount at 30 June 2018	29,265	36,833	66,098
Additions	9,817	–	9,817
Disposals – at written-down value	–	–	–
Depreciation expense	(25,384)	(9,270)	(34,654
Carrying amount at 30 June 2019	13,698	27,563	41,261

NOTE 11 INTANGIBLE ASSETS

	NOTE	2019	2018
		$	$
Website development costs		-	-
Capitalisation cost		233,289	217,574
Accumulated amortisation		(166,039)	(121,540)
Total intangible assets		67,250	96,034

a. **Movements in carrying amounts**

	NOTE	WEBSITE DEVELOPMENT
		$
Balance at 01 July 2017		74,004
Additions externally acquired		59,850
Disposals		–
Amortisation expense		(37,820)
Carrying amount at 30 June 2018		96,034
Additions externally acquired		15,716
Disposals		–
Amortisation expense		(44,500)
Carrying amount at 30 June 2019		67,250

NOTE 12 TRADE AND OTHER PAYABLES

	NOTE	2019	2018
		$	$
CURRENT			
Unsecured liabilities:			
Trade payables		171,303	320,758
Accrued expenses		507,116	478,959
Prepaid income		319,608	292,241
Other payables		59,623	64,919
Total trade and other payables	12a	1,057,650	1,156,877

a. **Financial liabilities at amortised cost classified as trade and other payables**

	NOTE	2019	2018
Trade and other payables:			
Total current		1,057,650	1,156,877
Total non-current		–	–
		1,057,650	1,156,877
Add/(less): GST refundable/ (payable)		1,895	(756)
Financial liabilities as trade and other payables	21	1,059,545	1,156,121

The average credit period on trade and other payables (excluding GST payable) is 7 to 30 days. No interest is payable on outstanding payables during this period.

NOTE 13 TAX BALANCES

	2019	2018
	$	$
Current liabilities		
Income tax payable	–	–
Non-current assets		
Deferred tax assets	314,386	299,312
Non-current liabilities		
Deferred tax liabilities	859,790	824,202

	Balance as at 30 June 2019	(Charged) /Credited to Income	(Charged) /Credited to Equity	Balance as at 30 June 2018	(Charged) /Credited to Income	(Charged) /Credited to Equity	Balance as at 1 July 2017
	$	$	$	$	$	$	$
Deferred tax assets							
Provision for employee benefits	77,905	890	–	77,015	9,910	–	67,105
Provision for doubtful debts	–	–	–	–	–	–	–
Prepaid income	87,892	7,526	–	80,366	(11,968)	–	92,334
Accrued expenses	139,457	7,743	–	131,714	131,714		–
Property, plant and equipment	6,292	141	–	6,151	6,151	–	–
Intangible assets	2,840	(1,226)	–	4,066	4,066		–
	314,386	15,074	–	299,312	139,873	–	159,439
Deferred tax liabilities							
Accelerated depreciation for tax purposes	–	–	–	–	740	–	(740)
Prepayments	(79,203)	(489)		(78,714)	(78,714)	–	–
Accrued income	(780,587)	(35,099)		(745,488)	(30,327)		(715,161)
	(859,790)	(35,588)	–	824,202	(108,301)	–	(715,901)
Net amount	(545,404)	(20,514)	–	(524,890)	31,572	–	(556,462)

The amount of deductible temporary differences and unused tax losses for which no deferred tax asset has been brought to account:

- temporary differences $Nil (2018: $Nil); and
- tax losses: operating losses $Nil (2018: $Nil).

The benefits of the above temporary differences and unused tax losses will be realised when the conditions for deductibility set out in Note 1(a) occur. These amounts have no expiry date.

NOTE 14 PROVISIONS

	EMPLOYEE BENEFITS	TOTAL PROVISIONS
	$	$
Analysis of provisions		
Opening balance at 01 July 2018	280,054	223,685
Amount provided during the year	3,238	56,369
Balance at 30 June 2019	283,292	280,054

	2019	2018
CURRENT	$	$
Annual leave	99,008	114,144
Long service leave	134,896	110,020
	233,904	224,164
NON-CURRENT		
Long service leave	49,388	55,890
Total provisions	283,292	280,054

Provision for long-term employee benefits
Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

NOTE 15 ISSUED CAPITAL

	2019	2018
	$	$
90,256 (2018: 90,256) fully paid ordinary shares	451,280	451,280
Total share capital	451,280	451,280

The Company has authorised share capital amounting to 2,005,268 ordinary shares of no par value.

	2019	2018
a. **Movements in issued capital**	No.	No.
Fully paid ordinary shares:		
At the beginning of the reporting period	90,256	88,851
Shares issued during the year	–	1,405
At the end of the reporting period	90,256	90,256

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Capital management

Management controls the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate return and to ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the capital structure or the objectives, policies, processes and strategy adopted by management to manage the capital of the group from the previous year.

The capital structure at 30 June 2019 and 30 June 2018 is as follows:

	NOTE	2019	2018
		$	$
Total borrowings		23,177	28,540
Trade and other payables	12	1,057,650	1,156,877
Less cash and cash equivalents	7	(1,159,693)	(804,436)
Net debt		–	380,981
Total equity		2,918,636	2,376,704
Total capital		2,918,636	2,757,685
Gearing ratio		0%	14%

NOTE 16 CAPITAL AND LEASING COMMITMENTS

Non-cancellable operating leases contracted for but not recognised in the financial statements

	2019	2018
Payable — minimum lease payments:		
— not later than 12 months	152,693	139,453
— between 12 months and five years	588,614	251,057
— later than five years	-	-
Total operating lease payables	741,307	390,510

The Company has entered into a commercial agreement with Australasian Investments Pty Ltd for the lease of approximately 360 square metres of office space on the ground floor of 130 Royal Street, East Perth, Western Australia, 6004.

The lease commenced 1 April 2016 for a period of four (4) years, expiring 31 March 2020. The lease has been extended for another period of five (5) years, commencing on 1 April 2020 and expiring on 31 March 2025. Rent payable in the 2019/20 financial year will be $122,400.00 (plus GST) per annum payable by equal monthly instalments in advance of $10,200.00 (plus GST) as agreed by the parties. The Landlord will provide the Tenant with an incentive equivalent to 40% of the Rent as at 1 April 2020 for the Renewed Term.

NOTE 17 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has no contingent assets and liabilities for the year ended 30 June 2019.

NOTE 18 EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events since the end of the reporting period.

NOTE 19 CASHFLOW INFORMATION

	2019	2018
	$	$
a. Reconciliation of cash flows from operating activities with profit for the year		
Profit after income tax	2,030,273	1,557,476
Non-cash flows items:		
— Depreciation and amortisation	79,154	79,500
Changes in assets and liabilities:		
— (increase)/decrease in trade and other receivables	(9,534)	16,846
— (increase)/decrease in deferred tax asset	(15,074)	(139,873)
— (increase)/decrease in other assets	(129,410)	(512,372)
— increase/(decrease) in trade and other payables	(99,227)	36,391
— increase/(decrease) in borrowings	(5,363)	15,545
— increase/(decrease) in deferred tax liabilities	35,588	108,301
— increase/(decrease) in provisions	3,238	56,369
	1,889,645	1,218,183

NOTE 20 RELATED PARTY TRANSACTIONS

The Company's main related parties are as follows:

a. **Entities that exercise control over the Company**
   None.

b. **Entities that are subject to common control outside the Company**
   None.

c. **Controlled entities**
   None.

d. **Key management personnel of the Company**
   Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the entity, is considered key management personnel.

e. **Entities for which the Company acts as the responsible entity**
   None.

f. **Other related parties of the Company**
   Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

Transactions and outstanding balances with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (ie at arm's length) unless the terms and conditions disclosed below state otherwise.

The following transactions occurred with related parties:

	NOTE	2019	2018
Key management personnel		$	$
Key management personnel compensation:			
Short-term employee benefits		307,325	270,923
Post-employment benefits		24,524	22,727
Other long-term benefits		44,335	38,958
		376,184	332,608

Remuneration of Directors and Executives

	CASH SALARY AND FEES		SUPERANNUATION BENEFITS		TOTAL REMUNERATION	
Name	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Trish Ridsdale	14,265	28,530	-	-	14,265	28,530
Jacqueline Wilson-Smith	19,921				19,921	
Trent Bartlett	15,000				15,000	
Sue Holmes	-	7,513	-	714	-	8,227
Greg Close	15,126	7,513	1,437	714	16,563	8,227
Phil Dalley	15,627	15,775	1,485	1,499	17,112	17,274
Trinity Hastwell	15,126	15,275	1,437	1,451	16,563	16,726
Mark Brady	15,627	15,276	1,485	1,451	17,112	16,727
Christian Hunter	196,633	181,041	18,680	16,898	215,313	197,939
	307,325	270,923	24,524	22,727	331,849	293,650

NOTE 21 FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bank loans and overdrafts.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies, are as follows:

	NOTE	2019	2018
Financial assets		$	$
Cash and cash equivalents	7	1,159,693	804,436
Trade and other receivables	8	412,932	403,398
Total financial assets		1,572,625	1,207,834
Financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	12a	1,059,545	1,156,121
Borrowings		23,177	28,540
Total financial liabilities		1,082,722	1,184,661

Financial Risk Management Policies

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts.

Specific Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company. The Company's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables and loans. There is no significant credit risk exposure on available-for-sale financial assets and held-to-maturity investments.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant counterparties. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Company, credit terms are generally 14 to 30 days from the date of invoice.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the finance committee has otherwise cleared as being financially sound. Where the Company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Company has no significant concentration of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 8.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 8.

All cash and cash equivalents are held with large reputable financial institutions within Australia and therefore credit risk is considered minimal.

	2019	2018
	$	$
Cash and cash equivalents:	1,159,693	804,436
AA-rated	1,159,693	804,436

b. Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company is not currently exposed to any significant liquidity risk on the basis that the realisable value of financial assets is significantly greater than the financial liabilities due for settlement. The Company manages its liquidity risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year-end could become repayable within 12 months. The Company does not hold any derivative financial liabilities directly.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

		WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
	NOTE	2019	2018	2019	2018	2019	2018	2019	2018
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities due									
Trade and other payables	12a	1,059	1,156	–	–	–	–	1,059	1,156
Borrowings		23	29					23	29
Total contractual outflows		1,082	1,185	–	–	–	–	1,082	1,185
Less bank overdrafts		–	–	–	–	–	–	–	–
Total expected outflows		1,082	1,185	–	–	–	–	1,082	1,185
Financial assets realisable									
Cash and cash equivalents	7	1,160	804	–	–	–	–	1,160	804
Trade and other receivables	8	413	403	–	–	–	–	413	403
Total anticipated inflows		1,573	1,207	–	–	–	–	1,573	1,207
Net (outflow)/inflow on financial instruments		491	22	–	–	–	–	491	22

c. Market risk

i. Interest rate risk

Exposure to interest rate risk arises on interest-bearing financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect either the future cash flows (in the case of variable interest instruments) or the fair value financial instruments (in the case of fixed rate instruments).

Interest rate risk is managed using a mix of fixed and floating rate instruments. At 30 June 2019, the Company had no interest-bearing financial liabilities and approximately 12.8% of group interest-bearing financial assets have fixed interest rates. It is the Company's policy to keep interest-bearing financial assets with fixed interest rates between 10% and 20%.

The Company also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

The weighted average interest rates of the Company's interest-bearing financial assets are as follows:

	2019	2018
Financial assets		
Cash and cash equivalents	2.2%	2.4%

ii. Other price risk

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk) for securities. The Company's exposure to other price risk arises mainly from available-for-sale financial assets. Such risk is managed through diversification of investments across industries and geographical locations.

The Company is not exposed to any other price risk.

Sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	PROFIT	EQUITY
Year ended 30 June 2019	$	$
+/- 2% in interest rates (interest income)	17,000	17,000
Year ended 30 June 2018		
+/- 2% in interest rates (interest income)	17,000	17,000

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Company. Most of these instruments which are carried at amortised cost (ie trade receivables, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Company.

	NOTE	CARRYING VALUE		FAIR VALUE	
		2019	2018	2019	2018
		$	$	$	$
Financial assets					
Cash and cash equivalents (i)	7	1,159,693	804,436	1,159,693	804,436
Trade and other receivables (i)	8	412,932	403,398	412,932	403,398
Total financial assets		1,572,625	1,207,834	1,572,625	1,207,834
Financial liabilities					
Trade and other payables (i)	12a	1,059,545	1,156,121	1,059,545	1,156,121
Borrowings		23,177	28,540	23,177	28,540
Total financial liabilities		1,082,722	1,184,661	1,082,722	1,184,661

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments whose carrying amounts approximate their fair values. Trade and other payables exclude amounts relating to the provision of annual leave and deferred revenue, which are outside the scope of AASB 139.

NOTE 22 COMPANY DETAILS

The registered office and principal place of business of the Company is:

Travellers Choice Limited
Ground Floor, 130 Royal Street
East Perth WA 6004

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Travellers Choice Limited, the Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 15 to 50 are in accordance with the *Corporations Act 2001* and:

   (a) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

   (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Company.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors

Trent Bartlett
Director

Dated this 23rd day of September 2019

INDEPENDENT AUDITOR'S REPORT

Anderson Munro & Wyllie
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TRAVELLERS CHOICE LIMITED
ACN 121 496 900

Opinion
We have audited the financial report of Travellers Choice Limited ("the Company"), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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:

a. the accompanying financial report of Travellers Choice Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and
b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Travellers Choice Limited, 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.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company 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 company'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' 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 Company'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 Company 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 company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company 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.

Anderson Munro + Wyllie

ANDERSON MUNRO & WYLLIE

Chartered Accountants

Address: Unit 8, 210 Winton Road, Joondalup, Western Australia

MARTIN SHONE

Principal & Registered Company Auditor

Dated at Perth, Western Australia this 23rd day of September 2019

10.0 APPENDIX B

SHARE APPLICATION FORM

APPLICATION FOR SHARES

To the Directors of Travellers Choice Limited

I / We hereby request that you allot ___________ fully paid shares of $5.00 each in the above named company.
The minimum purchase requirement is 200 shares.

I / We accept the shares, that may be allotted to the entity named on my / our ASIC / ATAS certificate, and authorise you to place that / these name(s) on the Register of the Company respect of these shares.

I / We agree to be bound by the Constitution of the Company.

Signature of all Directors / Partners required

1. ______________________________ 2 ______________________________

3. ______________________________ 4. ______________________________

Entity to which shares will be issued

Travel agency accredited entity (legal entity as per ASIC / ATAS certificate)

____

Nominated Director / Partner(s) contact for share related communication

Director's / Partner's name ______________________________

Business name ______________________________

Business address

____

Contact numbers

Business ( ) ____________________

Home ( ) ____________________

Other ____________________

Date of Share Application

____

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