

# TRAVELLERS CHOICE

Travellers Choice Limited

## OFFER INFORMATION STATEMENT

2020

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 18 December 2020 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

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# 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](http://www.travellerschoice.com.au)  
[www.travelagentschoice.com.au](http://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.

The Company's ability to deliver strategic plans in the short term may be hampered due to the impact of COVID-19, however 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's 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 142 (as at 01 December 2020), 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 30 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)

All override and incentive commissions received through the corporate office contribute towards income. Profits generated are (subject to Board approval) 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

\*Services that have been modified or temporarily suspended due to budgetary constraints associated with COVID-19

### 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)

\*Services that have been modified or temporarily suspended due to budgetary constraints associated with COVID-19



## 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 providing a single site for agency bookings as well as a booking link for member websites enabling clients to make online reservations. 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.

The debenture has the capacity to be converted into shares in SSTL at an agreed conversion rate.

## 5.0 TRAVELLERS CHOICE - INTO THE FUTURE

Travel agency businesses have been significantly impacted following the Government border closures associated with COVID-19. International borders are likely to remain closed until such time that a vaccination becomes available.

International travel represents 80% - 90% of a traditional travel agent's business and while there will be opportunities for the sale of domestic product, it will not come close to offsetting the losses. If borders remain closed for an extended period of time, without formal support from the Federal Government, many travel agency businesses will be forced to restructure their operating arrangements. Some may be forced to close permanently.

Travellers Choice has modified its service offering to refocus from product promotion and lead generation to providing supplier escalation and general support, access to latest policy updates and other information, and customer engagement strategies. As and when borders begin to open, services will be reviewed and refocussed as required.

Travellers Choice has positioned itself as the representative and buying agent of a major group of travel agents within the Australian travel industry, representing annual member sales of approximately \$515 million in 2019, reducing to a COVID impacted figure of \$340 million in 2020.

The group expects that the reduction in total sales will continue in 2021, generating an operating loss in the 2020/21 financial year. A return to pre-COVID sales levels will not be possible until international borders reopen and consumer confidence in travel returns. Initial industry forecasts suggest a gradual return to pre-COVID sales levels by 2024/25.

The Board sees Travellers Choice's future positioning as the champion of truly independent, quality travel agents. The Board has a commitment to returning to growth and aims to achieve some of the following post-COVID 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 13 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 consumers' appetite to travel. In recent years, examples of such occurrences are the current COVID-19 pandemic as well as the SARS and Bird Flu epidemics, the global financial crisis, increase of world terrorism, and 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 2020.

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 2020.

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



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# 9.0 APPENDIX A

## **FINANCIAL STATEMENTS**

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020	2019
		\$	\$
Revenue	2	4,341,731	7,162,549
Cost of sales	3	-	(1,114,520)
Gross profit		4,341,731	6,048,029
Other revenues	2	2,216,258	2,357,609
Annual conference		(612,149)	(570,690)
Computer expenses		(43,231)	(43,982)
Consultancy fees		(7,365)	(53,129)
Depreciation and amortisation expenses	3	(188,125)	(79,154)
Director fees		(80,848)	(96,616)
Fees (Corp/TCF/Lic./BSP)		(124,567)	(135,067)
Insurance expense		(23,621)	(20,715)
Marketing costs		(1,322,771)	(1,855,126)
Member overrides		(1,022,862)	(745,740)
Rent	3	(9,008)	(171,482)
Salaries & wages		(1,858,264)	(2,028,585)
Ticketing fee		(203,959)	(61,611)
Other expenses from ordinary activities		(423,881)	(492,954)
<b>Profit before income tax</b>	3	637,338	2,050,787
Income tax expense	4	(223,373)	(20,514)
<b>Profit for the year</b>		413,965	2,030,273
Other comprehensive income		-	-
Total comprehensive income attributable to members of the Company		413,965	2,030,273

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

**AS AT 30 JUNE 2020**

	NOTE	2020	2019
		\$	\$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	7	1,598,875	1,159,693
Trade and other receivables	8	149,006	412,932
Other assets	9	849,954	3,126,509
TOTAL CURRENT ASSETS		2,597,835	4,699,134
NON-CURRENT ASSETS			
Property, plant and equipment	10	36,397	41,261
Intangible assets	11	45,232	67,250
Right of Use Assets	12	599,632	-
Financial assets	13	511,763	-
Deferred tax assets	15	217,297	314,386
TOTAL NON-CURRENT ASSETS		1,410,321	422,897
TOTAL ASSETS		4,008,156	5,122,031
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	14	622,943	1,057,650
Borrowings		-	23,177
Lease Liabilities		101,674	-
Current tax liabilities	15	705,644	-
Provisions	16	225,269	233,904
TOTAL CURRENT LIABILITIES		1,655,530	1,314,731
NON-CURRENT LIABILITIES			
Provisions	16	67,354	49,388
Lease Liabilities		497,958	-
Deferred tax liabilities	15	280,430	859,790
TOTAL NON-CURRENT LIABILITIES		845,742	909,178
TOTAL LIABILITIES		2,501,272	2,223,909
NET ASSETS		1,506,884	2,898,122
<b>EQUITY</b>			
Issued ordinary share capital	17	451,280	451,280
Retained earnings		1,055,604	2,446,842
TOTAL EQUITY		1,506,884	2,898,122

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	ISSUED ORDINARY SHARE CAPITAL	RETAINED EARNINGS	TOTAL
		\$	\$	\$
<b>Balance at 01 July 2018</b>		451,280	1,925,424	2,376,704
Net profit for the year		–	2,030,273	2,030,273
<b>Subtotal</b>		451,280	3,955,697	4,406,977
Dividends and rebates paid		–	(1,508,855)	(1,508,855)
<b>Balance at 30 June 2019</b>		451,280	2,446,842	2,898,122
Net profit for the year		–	413,965	413,965
<b>Subtotal</b>		–	413,965	413,956
Dividends and rebates paid		–	(1,805,203)	(1,805,203)
<b>Balance at 30 June 2020</b>		451,280	1,055,604	1,506,884

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020	2019
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		8,682,308	9,400,146
Payments to suppliers and employees		(5,746,410)	(7,502,712)
Interest received		8,223	10,211
Net cash provided by operating activities	21a	2,944,121	1,889,645
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(15,680)	(9,817)
Purchase of intangible assets		(16,640)	(15,716)
Purchase of investments		(511,763)	-
Net cash used in investing activities		(544,083)	(24,533)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends and rebates paid		(1,805,203)	(1,508,855)
Repayment of lease liability		(155,653)	-
Net cash used in financing activities		(1,960,856)	(1,508,855)
Net increase in cash held		439,182	(355,257)
Cash and cash equivalents at beginning of year		1,159,693	804,436
Cash and cash equivalents at end of year	7	1,598,875	1,159,693

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2020

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 12 October 2020 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).



## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a. Income Tax (continued)**

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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Company where the Company is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### d. Leases (continued)

Lease payments included in the measurement of the lease liability are as follows:

- amortised cost; or
- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

### 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 (except for trade receivables) 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 expensed to statement of profit or loss and other comprehensive income 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### e. Financial Instruments (continued)

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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### e. Financial Instruments (continued)

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 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.



## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **e. Financial Instruments (continued)**

#### *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.

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

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 Company 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.



## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **e. Financial Instruments (continued)**

#### *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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### e. Financial Instruments (continued)

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 Company 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).

## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **e. Financial Instruments (continued)**

#### *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.

## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **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;

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Software and website development costs (continued)

- 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

The principal activities of the Company are those of acting as an agent for tour, travel and accommodation suppliers for which the Company earns service revenue, predominantly in the form of commissions. Revenue is recognised and measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, agent commissions and amounts collected on behalf of third parties. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's primary activities.



## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **k. Revenue and Other Income (continued)**

The Company's key revenue streams are outlined below:

#### *(i) Commissions*

Commissions consist of at source commissions across the Company's businesses and override commissions for performance of volume based sales targets with specific airline and leisure partners. The Company acts in the capacity of an agent rather than principal with the facilitation of tour, travel and accommodation services as the Company's customer is a travel agent or supplier. As a result, commission revenue is recognised as the net amount of commission received or receivable by the Company. The revenue policy for the various types of commissions across the Company is outlined below:

#### **At Source commissions - retail and travel management businesses**

The Company's retail and travel management businesses receive at source commission from suppliers for the arrangement of travel, tours and travel related products. Revenue is recognised at the point of time when tickets, itineraries or travel documents are issued (ticketed date) as this is when the performance obligation is met to the travel agent or supplier.

#### **Other types of at source commissions**

The Company also receives commissions from sales of travel related products such as insurance, foreign currency purchasing services and incentives from suppliers. These commissions are recognised as revenue at a point of time on an accrual basis when the performance obligation is met and the amount can be reliably measured.

#### **Override Commission revenue**

The Company receives volume based override commissions from airline and leisure partners across the air, land and cruise travel products sold.

The override commission revenue is recognised over a period of time using a tiered earning rate, based on eligible departed travel sales (for air and cruise) or on commencement of hotel stay (for land), for the contracted period as performance obligations involving target tier volumes are met with the suppliers over the life of the contract based on the departure date of the traveller. Each supplier has separate contractual agreements with the Company and the contractual rates, performance tiers and contract periods vary accordingly.

Override commission is calculated for the contract period, based on the value of eligible travel during the period at the expected contracted applicable override rates. Eligible travel for the financial year is calculated based on detailed booking information and is reviewed by management considering current and historical booking trends. To estimate the appropriate override rate to use in the calculation of the estimated override commission, the expected eligible travel sales for the contract period are estimated (based on actual sales, forecast bookings and historical trends) and compared to the contractual performance tiers.

#### *(ii) Transaction and service fees*

The Company's travel management business charge customers a transaction fee when travel arrangements are booked through either the Company's online system or using a travel management consultant. Transaction fees are levied in accordance with their contractually agreed rates for the type of product booked. Transaction and service fees are recognised as revenue at the point of time when tickets are issued (ticketed date) as this is when the performance obligation is met to the consumer for the booking of travel arrangements and revenue can be measured reliably. Where amendments occur after the initial transaction, these are treated separately and additional transaction fees may be incurred.



## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Override Comission revenue (continued)**

#### *(ii) Marketing related activites*

The Company receives contributions from suppliers to compensate for the costs incurred in relation to the production of brochures, in relation to marketing campaigns and activities, and for travel conferences organised by the Company. Revenue is recognised at a point of time when the marketing related activity is undertaken as the performance obligation to the supplier has been met.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax.

A receivable will be recognised when they are rendered. The Company's right to consideration is deemed unconditional at this time as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales are made within a credit term of 30 to 45 days.

No impact is shown for AASB 15 as the Directors, after applying the five-step model per AASB 15, assessed that there is no material difference in the result of the Company between applying AASB 118 and AASB 15.

#### **i. 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### o. Comparative Figures (continued)

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

Included in trade receivables at the end of the reporting period are receivables amounting to \$8,690 (2019: nil) that have been outstanding for over more than 90 days. This amount is made up of outstanding invoices for a Virgin Australia marketing campaign that are now caught up in the Administration process and the Directors consider these amounts to be impaired. Accordingly, a provision for impairment has been recognised in respect of these receivables.

##### (ii) Financial assets at fair value through other comprehensive income

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 and Amended Accounting Polices Adopted by the Company Initial application of AASB 16

The Company has adopted AASB 16 Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated.

The Company has recognised a lease liability and right-of-use asset for all leases (with the exception for short term and low value leases) recognised as operating leases under AASB 117 Leases where the Company is the lessee.

There has been no significant change from prior year treatment for leases where the Company is a lessor.

## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **q. New and Amended Accounting Policies Adopted by the Company (continued)**

The lease liabilities are measured at the present value of the remaining lease payments. The Company's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right of use assets for the office building were measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability, prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Company in applying AASB 16 for the first time

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied
- leases that have remaining lease term of less than 12 months as at 01 July 2019 have been accounted for in the same way as short-term leases
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate
- applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

### **Initial application of Interpretation 23**

The Company has adopted Interpretation 23 with an initial application date of 01 July 2019.

The Interpretation outlines what to do when there is uncertainty over income tax treatments. The Company will determine if the uncertain tax position needs to be assessed on an entity-by-entity basis. Furthermore an assessment will be done on the probability that the ATO (or relevant tax authority) will accept the treatment of the uncertain tax event and determine its accounting tax position.

In the event that it is not probable that the relevant tax authority will accept the treatment the Company will determine the effect of the uncertain tax event and the accounting tax position using either the expected value method or the most likely amount.

## NOTE 2 REVENUE AND OTHER INCOME

	NOTE	2020	2019
<b>Revenue</b>		\$	\$
Sales revenue:			
- Sale of services and commission		4,341,731	7,162,549
Other revenue:			
- Membership fees		373,955	467,362
- Insurance commission		193,736	3372,379
- Conference fees		621,516	602,367
- Cruise Club annual fees		42,637	58,705
- Interest received	2a	8,223	10,211
- Marketing revenue		714,790	822,237
- JobKeeper subsidy		180,000	-
- Cash flow boost		100,000	-
- Other income		(18,599)	24,348
		2,216,258	2,357,609
<b>Total revenue</b>		<b>6,557,989</b>	<b>9,520,158</b>
a. Interest revenue from:			
- Banks		8,223	10,211
		8,223	10,211

## NOTE 3 PROFIT FOR THE YEAR

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

	NOTE	2020	2019
<b>Expenses</b>		\$	\$
Cost of sales		-	(1,114,520)
Depreciation of property, plant and equipment		(20,544)	(34,654)
Amortisation of intangible assets		(38,658)	(44,500)
Depreciation of right of use asset		(128,923)	-
Rental expense on operating leases		(9,008)	(171,482)

## NOTE 4 INCOME TAX EXPENSE

	NOTE	2020	2019
a. The components of tax expense comprise:		\$	\$
- Current tax expense		705,644	-
- Deferred tax (income)/ expense relating to the origination and reversal of temporary differences	15	(482,271)	20,514
		223,373	20,514
b. The prima facie tax on profit from ordinary activities 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% (2019: 27.5%)		175,268	563,966
Tax effect of:			
- Non-deductible income and expenses		922,294	843,201
- Deductible income and expenses		(391,918)	(1,407,167)
- Deferred tax asset/liability brought to account		(482,271)	20,514
<b>Income tax attributable to Company</b>		223,373	20,514
The applicable income tax rate is the Australian federal tax rate of 27.5% (2019: 27.5%) applicable to Australian resident companies.			
Weighted average effective tax rates are:		35%	1%
The applicable income tax rate is the Australian federal tax rate of 30% (2016: 30%) applicable to Australian resident companies.			
Weighted average effective tax rates are:		11%	4%

## NOTE 5 DIVIDENDS

Dividends recognised as distributions and paid during the period:

	2020	2019
	\$	\$
Declared 5% unfranked ordinary dividend of nil (2019: 25) cents per share franked at the tax rate of 0% (2019: 27.5%)	-	22,564
	-	22,564
Per share dividends amount paid during the period	-	25 cents

## NOTE 6 AUDITORS' REMUNERATION

Remuneration of the auditor is as follows:

- Auditing and preparation of the financial statements
- Auditing of other information

NOTE	2020	2019
	\$	\$
	15,115	14,047
	2,500	2,500
	17,615	16,547

## NOTE 7 CASH AND CASH EQUIVALENTS

Cash at bank and on hand

Short-term deposits

NOTE	2020	2019
	\$	\$
	1,345,405	854,598
	253,470	305,095
23	1,159,875	1,159,693

The effective interest rate on short-term bank deposits was 1.67% (2019: 2.20%); these deposits have an average maturity of 150 days (2019: 180 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

Less bank overdraft

Per the statement of cash flows

	1,159,875	1,159,693
	-	-
	1,159,875	1,159,693

## NOTE 8 TRADE AND OTHER RECEIVABLES

### CURRENT

Trade receivables

Provision for impairment of doubtful receivables

Other receivables:

Travel centre receivables

Other receivables

Total current trade and other receivables

NOTE	2020	2019
	\$	\$
	73,396	419,297
	(8,690)	-
	64,706	419,297
	(13,200)	(6,365)
	97,500	-
	84,300	(6,365)
	149,006	412,932

## NOTE 8 TRADE AND OTHER RECEIVABLES (CONTINUED)

### 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	
<b>2020</b>	\$	\$	\$	\$	\$	\$
Trade and term receivables	64,706	–	11,962	–	52,744	–
Other receivables	84,300	–	59,300	12,500	12,500	–
Total	149,006	–	71,202	12,500	65,244	–
<b>2019</b>	\$	\$	\$	\$	\$	\$
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	–

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



## NOTE 8 TRADE AND OTHER RECEIVABLES (CONTINUED)

	NOTE	2020	2019
		\$	\$
<b>a. Financial assets classified as trade and other receivables</b>			
Trade and other receivables:			
- Total current		149,006	412,932
Total financial assets classified as trade and other receivables	23	149,066	412,932
<b>b. Collateral held as security</b>			
No collateral is held over trade and other receivables.			

## NOTE 9 OTHER ASSETS

	NOTE	2020	2019
		\$	\$
<b>CURRENT</b>			
Prepayments		98,445	288,010
Accrued income		751,509	2,838,499
		849,954	3,126,509

## NOTE 10 PROPERTY, PLANT AND EQUIPMENT

	NOTE	2020	2019
		\$	\$
<b>PLANT AND EQUIPMENT</b>			
At cost		165,799	150,119
Accumulated depreciation		(129,402)	(108,858)
Total plant and equipment		36,397	41,261

- 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 2018	29,265	36,833	66,098
Additions	9,817	–	9,817
Depreciation expense	(25,384)	(9,270)	(34,654)
<b>Carrying amount at 30 June 2019</b>	<b>13,698</b>	<b>27,563</b>	<b>41,261</b>
Additions	15,680	–	15,680
Depreciation expense	(13,712)	(6,832)	(20,544)
<b>Carrying amount at 30 June 2020</b>	<b>15,666</b>	<b>20,731</b>	<b>36,397</b>

#### NOTE 11 INTANGIBLE ASSETS

	NOTE	2020	2019
		\$	\$
Website development costs		-	-
Capitalisation cost		249,929	233,289
Accumulated amortisation		(204,697)	(166,039)
<b>Total intangible assets</b>		<b>45,232</b>	<b>67,250</b>

##### a. Movements in carrying amounts

	NOTE	WEBSITE DEVELOPMENT
		\$
Balance at 01 July 2018		96,034
Additions externally acquired		15,716
Amortisation expense		(44,500)
<b>Carrying amount at 30 June 2019</b>		<b>67,250</b>
Additions externally acquired		16,640
Amortisation expense		(38,658)
<b>Carrying amount at 30 June 2020</b>		<b>45,232</b>

## NOTE 12 RIGHT OF USE ASSETS

The Company's lease portfolio includes buildings

### i) AASB related amounts recognised in the balance sheet

Right of use assets

Leased building

Accumulated depreciation

Movement in carrying amounts:

Leased buildings:

Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)

Depreciation expense

Net carrying amount

### ii) AASB 16 related amounts recognised in the statement of profit or loss

Depreciation charge related to right-of-use assets

Interest expense on lease liabilities

NOTE	2020	2019
	\$	\$
	728,555	–
	(128,923)	–
	599,632	–
	728,555	–
	(128,923)	–
	599,632	–
	128,923	–
	26,730	–

## NOTE 13 FINANCIAL ASSETS

Investments in equity instruments designated as at fair value through other comprehensive income

NOTE	2020	2019
	\$	\$
	511,763	–
23	511,763	–

## NOTE 14 TRADE AND OTHER PAYABLES

	NOTE	2020	2019
		\$	\$
<b>CURRENT</b>			
Unsecured liabilities:			
Trade payables		87,657	171,303
Accrued expenses		387,623	507,116
Prepaid income		101,234	319,608
Other payables		46,429	59,623
<b>Total trade and other payables</b>	14a	622,943	1,057,650
<b>a. Financial liabilities at amortised cost classified as trade and other payables</b>			
Trade and other payables:			
Total current		622,943	1,057,650
Total non-current		–	–
		622,943	1,057,650
Add/(less): GST refundable/(payable)		(2,584)	1,895
Financial liabilities as trade and other payables	23	620,359	1,059,545

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 15 TAX BALANCES

	2020	2019
	\$	\$
<b>Current liabilities</b>		
Income tax payable	705,644	–
<b>Non-current assets</b>		
Deferred tax assets	217,297	314,386
<b>Non-current liabilities</b>		
Deferred tax liabilities	280,430	859,790

## NOTE 15 TAX BALANCES (CONTINUED)

	Balance as at 30 June 2020	(Charged) / Credited to Income	(Charged) / Credited to Equity	Balance as at 30 June 2019	(Charged) / Credited to Income	(Charged) / Credited to Equity	Balance as at 01 July 2018
	\$	\$	\$	\$	\$	\$	\$
<b>Deferred tax assets</b>							
Provision for employee benefits	80,471	2,566	–	77,905	890	–	77,015
Provision for doubtful debts	2,390	2,390	–	–	–	–	–
Prepaid income	27,839	(60,053)	–	87,892	7,526	–	80,366
Accrued expenses	106,597	(32,860)	–	139,457	7,743	–	131,714
Property, plant and equipment	–	(6,292)	–	6,292	141	–	6,151
Intangible assets	–	(2,840)	–	2,840	(1,226)	–	4,066
	217,297	(97,089)	–	314,386	15,074	–	299,312
<b>Deferred tax liabilities</b>							
Accelerated depreciation for tax purposes	(19,880)	(19,880)	–	–	–	–	–
Prepayments	(27,072)	52,131	–	(79,203)	(489)	–	(78,714)
Interest receivable	(111)	(111)	–	–	–	–	–
Other receivables	(26,813)	(26,813)	–	–	–	–	–
Accrued income	(206,554)	(574,033)	–	(780,587)	(35,099)	–	(745,488)
	(280,430)	(579,360)	–	(859,790)	(35,588)	–	(824,202)
<b>Net amount</b>	(63,133)	(482,271)	–	(545,404)	20,514	–	(524,890)

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

- temporary differences \$Nil (2019: \$Nil); and
- tax losses: operating losses \$Nil (2019: \$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 16 PROVISIONS

### Analysis of provisions

Opening balance at 01 July 2019	
Amount provided during the year	
Balance at 30 June 2020	

EMPLOYEE BENEFITS	TOTAL PROVISIONS
\$	\$
283,292	283,292
9,331	9,331
292,623	292,623

### CURRENT

Annual leave	
Long service leave	

2020	2019
\$	\$
95,060	99,008
134,209	134,896
225,269	233,904
67,354	49,388
292,623	283,292

### NON-CURRENT

Long service leave	
--------------------	--

### Total provisions

### 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 17 ISSUED CAPITAL

90,256 (2019: 90,256) fully paid ordinary shares

### Total share capital

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

2020	2019
\$	\$
451,280	451,280
451,280	451,280

### a. Movements in issued capital

Fully paid ordinary shares:	
At the beginning of the reporting period	
Shares issued during the year	
At the end of the reporting period	

2020	2019
No.	No.
90,256	90,256
-	-
90,256	90,256

## NOTE 17 ISSUED CAPITAL (CONTINUED)

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 2020 and 30 June 2019 is as follows:

	NOTE	2020	2019
		\$	\$
Total borrowings		–	23,177
Trade and other payables	14	622,943	1,057,650
Less cash and cash equivalents	7	(1,598,875)	(1,159,693)
Net debt		–	–
Total equity		1,506,884	2,898,122
Total capital		1,506,884	2,898,122
Gearing ratio		0%	0%



## NOTE 18 CAPITAL AND LEASING COMMITMENTS

Non-cancellable operating leases contracted for but not recognised in the financial statements as lease liabilities under AASB16

	2020	2019
Payable — minimum lease payments:		
– not later than 12 months	101,674	152,693
– between 12 months and five years	497,958	588,614
– later than five years	-	-
<b>Total operating lease payables</b>	<b>599,632</b>	<b>741,307</b>

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 01 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 01 April 2020 and expiring on 31 March 2025. The Landlord will provide the Tenant with an incentive equivalent to 40% of the Rent as at 01 April 2020 for the Renewed Term.

The net rent payable in the 2020/21 financial year will be \$71,030 (plus GST) plus variable outgoings, payable by equal monthly instalments in advance of \$6,503 (plus GST) for the months of October 2020 to June 2021 as agreed by the parties. Base rent for the months of July - September was reduced by 100% of which 50% is waived and 50% deferred, to be repaid via 24 monthly instalments of \$637.50 over a two-year period commencing Oct 2020. This repayment is included in the monthly instalment amount.

## NOTE 19 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has no contingent assets and liabilities for the year ended 30 June 2020.

## NOTE 20 EVENTS AFTER THE REPORTING PERIOD

Since 30 June 2020, the consequences of the COVID-19 outbreak have materially and adversely affected the supply and demand for the Company's primary revenue and therefore, its operating results have been negatively impacted.

At present the company is mainly receiving JobKeeper payments and government grants and credits to support its operations. It is uncertain whether, and when, the Company will return to profitability and positive cash flows from operations. However, the Company has sufficient liquid assets to continue operations for the foreseeable future and is therefore a going concern.

## NOTE 21 CASHFLOW INFORMATION

	2020	2019
	\$	\$
<b>a. Reconciliation of cash flows from operating activities with profit for the year</b>		
Profit after income tax	413,965	2,030,273
Non-cash flows items:		
– Depreciation and amortisation	188,125	79,154
– Interest from lease liability	26,730	–
Changes in assets and liabilities:		
– (increase)/decrease in trade and other receivables	263,926	(9,534)
– (increase)/decrease in deferred tax asset	97,089	(15,074)
– (increase)/decrease in other assets	2,276,555	(129,410)
– increase/(decrease) in trade and other payables	(434,707)	(99,227)
– increase/(decrease) in borrowings	(23,177)	(5,363)
– increase/(decrease) in current tax liabilities	705,644	–
– increase/(decrease) in deferred tax liabilities	(579,360)	35,588
– increase/(decrease) in provisions	9,331	3,238
	2,944,121	1,889,645

## NOTE 22 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.

## NOTE 22 RELATED PARTY TRANSACTIONS (CONTINUED)

### 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	2020	2019
<b>Key management personnel</b>		\$	\$
Key management personnel compensation:			
Short-term employee benefits		273,226	370,325
Post-employment benefits		22,965	24,524
Other long-term benefits		41,002	44,335
		337,193	376,184

### Remuneration of Directors and Executives

Name	CASH SALARY AND FEES		SUPERANNUATION BENEFITS		TOTAL REMUNERATION	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Trish Ridsdale	-	14,265	-	-	-	14,265
Jacqueline Wilson-Smith	15,000	19,921	-	-	15,000	19,921
Trent Bartlett	16,500	15,000	-	-	16,500	15,000
Greg Close	11,420	15,126	1,085	1,437	12,505	16,563
Phil Dalley	11,797	15,627	1,121	1,485	12,918	17,112
Trinity Hastwell	11,420	15,126	1,085	1,437	12,505	16,563
Mark Brady	11,797	15,627	1,121	1,485	12,918	17,112
Christian Hunter	195,292	196,633	18,553	18,680	213,845	215,313
	273,226	307,325	22,965	24,524	296,191	331,849

In response to the challenges associated with COVID-19, both staff members and Directors reduced remuneration to support the business. From the period from April to September 2020, all staff salaries reduced by 25%, with further reductions applied from October 2020. Directors waived their right to claim Director Fees from April to September 2020. Director Fees beyond that period would be indexed to the reduction in management salaries.

## NOTE 23 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	2020	2019
<b>Financial assets</b>		\$	\$
Cash and cash equivalents	7	1,598,875	1,159,693
Trade and other receivables	8	149,006	412,932
Financial assets	13	511,763	–
<b>Total financial assets</b>		2,259,644	1,572,625
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
Trade and other payables	14a	620,359	1,059,545
Borrowings		–	23,177
Lease liabilities		599,632	–
<b>Total financial liabilities</b>		1,219,991	1,082,722

### 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.

## NOTE 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

### *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.

	2020	2019
	\$	\$
Cash and cash equivalents:	1,598,875	1,159,693
AA-rated	1,598,875	1,159,693

### **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.

## NOTE 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial liability and financial asset maturity analysis

	NOTE	WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities due</b>									
Trade and other payables	14a	620	1,059	–	–	–	–	620	1,059
Borrowings		–	23					–	23
Lease liabilities		600	–	–	–	–	–	600	–
Total contractual outflows		1,220	1,082	–	–	–	–	1,220	1,082
Less bank overdrafts		–	–	–	–	–	–	–	–
Total expected outflows		1,220	1,082	–	–	–	–	1,220	1,082
<b>Financial assets realisable</b>									
Cash and cash equivalents	7	1,599	1,160	–	–	–	–	1,599	1,160
Trade and other receivables	8	149	413	–	–	–	–	149	413
Financial assets	13	512	–					512	–
Total anticipated inflows		2,260	1,573	–	–	–	–	2,260	1,573
Net (outflow)/inflow on financial instruments		1,040	491	–	–	–	–	1,040	491

### 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 2020, 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:

	2020	2019
<b>Financial assets</b>		
Cash and cash equivalents	1.67%	2.20%



## NOTE 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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
<b>Year ended 30 June 2020</b>	\$	\$
+/- 2% in interest rates (interest income)	9,800	9,800
<b>Year ended 30 June 2019</b>		
+/- 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.

## 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 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

	NOTE	CARRYING VALUE		FAIR VALUE	
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents (i)	7	1,598,875	1,159,693	1,598,875	1,159,693
Trade and other receivables (i)	8	149,006	412,932	149,006	412,932
Financial assets	13	511,763		511,763	
<b>Total financial assets</b>		<b>2,259,644</b>	<b>1,572,625</b>	<b>2,259,644</b>	<b>1,572,625</b>
<b>Financial liabilities</b>					
Trade and other payables (i)	12a	620,359	1,059,545	620,359	1,059,545
Borrowings		–	23,177	–	23,177
Lease liabilities		599,632	–	599,632	–
<b>Total financial liabilities</b>		<b>1,219,991</b>	<b>1,082,722</b>	<b>1,219,991</b>	<b>1,082,722</b>

(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 24 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 6 to 43 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 2020 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 12<sup>th</sup> day of October 2020

# INDEPENDENT AUDITOR'S REPORT



## Anderson Munro & Wyllie

CHARTERED ACCOUNTANTS, REGISTERED COMPANY  
AUDITORS AND REGISTERED SMSF AUDITORS

**Postal Address:**

PO Box 229, JOONDALUP DC WA 6919

P: 1300 284 330

E: [reception@amwaudit.com.au](mailto:reception@amwaudit.com.au)

ABN 59 125 425 274

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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 2020, 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 2020 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 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and 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

*MShone*

**MARTIN SHONE**

Principal & Registered Company Auditor

Dated at Perth, Western Australia this 12th day of October 2020

A background graphic consisting of a network of interconnected nodes and lines, forming a complex web-like structure. The nodes are represented by small circles, and the lines are thin, light gray lines connecting these nodes. The overall appearance is that of a digital or network diagram.

# 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)

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

Director's / Partner's name

Business name

Business address

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## Contact numbers

Business

Home

Other

( ) \_\_\_\_\_ ( ) \_\_\_\_\_ \_\_\_\_\_

## Date of Share Application

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**ATAS**  
travel accredited

**TRAVELLERS CHOICE LIMITED**

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East Perth WA 6004

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**Website:** [www.travellerschoice.com.au](http://www.travellerschoice.com.au) | [www.travelagentschoice.com.au](http://www.travelagentschoice.com.au)

ATAS No. A10430

