18 December 2015

ASX Release

Helloworld Limited (ASX: HLO)

Notice of General Meeting and Explanatory Memorandum released

Helloworld Limited (ASX: HLO) today announces that it has called a general meeting of Helloworld shareholders to consider its proposed merger with AOT Group Limited ('Merger Proposal').

A copy of the Notice of Meeting and Explanatory Memorandum, including the Independent Expert's Report, accompanies this announcement and is expected to be sent to Helloworld shareholders, together with associated proxy forms, on or about 22 December 2015. Helloworld shareholders are encouraged to read the Notice of Meeting and Explanatory Memorandum in its entirety as it contains important information about the Merger Proposal.

Independent Expert Report

The Independent Expert, Grant Thornton, has determined that the Merger Proposal is not fair, but reasonable and in the best interests of Helloworld shareholders, in the absence of a superior proposal. Grant Thornton's conclusion should be read in context with the full Independent Expert's Report and the Explanatory Memorandum accompanying this announcement.

Board Recommendation

For the reasons set out in section 2.7 of the Explanatory Memorandum, the Helloworld Directors unanimously recommend that Helloworld shareholders vote in favour of the Merger Proposal, in the absence of a superior proposal. Each of the Helloworld Directors intends to vote any Helloworld shares held or controlled by them in favour of the Merger Proposal, in the absence of a superior proposal.

General Meeting

The General Meeting will be held at 10.00am (Sydney time) on Friday, 22 January 2016 at Level 13, 80 Pacific Highway, North Sydney, New South Wales 2060.

All Helloworld shareholders are encouraged to vote either by attending the General Meeting in person, or by lodging a proxy vote by 10.00am (Sydney time) on Wednesday 20 January 2016. Details of how to lodge a proxy vote are included on the proxy form and in the Explanatory Memorandum.

Further information

Helloworld shareholders who have questions in relation to the Merger Proposal or this Explanatory Memorandum should contact the Helloworld Company Secretary, Stephanie Belton, on +61 2 8229 4000 between 9.00am and 5.00pm (Sydney time), Monday to Friday.

ENDS

About AOT

Established in 1987, by Andrew and Cinzia Burnes, AOT is comprised of three operating divisions:

- Inbound destination management services: offers inbound travel management services for international travellers to Australia, New Zealand, Fiji and the South Pacific;
- Domestic and outbound wholesale leisure distribution: provider of leisure products in Australia, New Zealand and the South Pacific; and
- Accommodation Program Management (Government Services division): AOT is Accommodation Program Manager for the Australian Government.

About HLO:

- Helloworld Limited (ASX: HLO) is a leading Australia based travel distribution company, comprising retail travel businesses, air ticket consolidation, wholesale, corporate and online operations. This includes *helloworld*, Australia's largest network of franchised travel agents, and *helloworld.com.au.*
- *helloworld* is a nationwide network of independently owned and operated stores, offering Australian travellers unparalleled convenience, industry-leading service and the best value, tailor-made holidays.
- *helloworld* was awarded Australia's Best Travel Agency Group (100 outlets or more) at the 2014 National Travel Industry Awards.
- *helloworld* has been creating lasting travel memories for more than 40 years through the Harvey World Travel, Jetset Travel, Travelworld and Travelscene American Express brands.

MEDIA CONTACT: LJ Loch ljloch@republic.net.au m 0439 633 429 or David Mair. dmair@republic.net.au

INVESTOR ENQUIRIES: Jenny Macdonald, Chief Financial Officer, +61 (2) 8229 4191

Private & Confidential

NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM

Helloworld Limited
ABN 60 091 214 998

For the reasons set out in section 2.7 of this Explanatory Memorandum, the Helloworld Directors unanimously recommend that Helloworld Shareholders in the absence of a Superior Proposal

VOTE IN FAVOUR

of the Merger Proposal at the General Meeting

To be held at 10.00am (Sydney time) on Friday 22 January 2016 at Level 13, 80 Pacific Highway, North Sydney, New South Wales 2060

The Independent Expert has determined that the Merger Proposal is not fair, but reasonable and in the best interests of Helloworld Shareholders, in the absence of a superior proposal

Financial adviser to Helloworld

FORT STREET ADVISERS

Legal adviser to Helloworld

MinterEllison

Important Notice

IMPORTANT INFORMATION

The Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and proxy form are all important documents and require your immediate attention. They should be read carefully in their entirety before you make a decision on how to vote at the General Meeting. If you are in any doubt as to what you should do, please consult your financial or other professional adviser.

PURPOSE OF THIS EXPLANATORY MEMORANDUM

This Explanatory Memorandum, which forms part of the Notice of Meeting, contains an explanation of, and information about, the Merger Proposal to be considered at the General Meeting of Helloworld on 22 January 2016. It is given to Helloworld Shareholders to provide them with information that the Helloworld Board believes to be material to Helloworld Shareholders in deciding whether and how to vote on the Resolutions. This Explanatory Memorandum is required by the Corporations Act in relation to the Merger Proposal. Helloworld Shareholders should read this Explanatory Memorandum in full because individual sections do not give a comprehensive review of the Merger Proposal. If you are in doubt about what to do in relation to the Merger Proposal, you should consult your financial or other professional adviser.

This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Helloworld Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolutions. Helloworld is not licensed to provide financial product advice in relation to Helloworld Shares or any other financial products.

INVESTMENT DECISIONS AND FORWARD LOOKING STATEMENTS

This Explanatory Memorandum contains forward looking statements which have been based on current expectations about future events. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such forward looking statements.

These factors include matters not yet known to Helloworld or AOT or not currently considered by Helloworld or AOT to be material.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Helloworld, AOT nor any of their respective officers or any person named in this Explanatory Memorandum or involved in its preparation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and Helloworld Shareholders are cautioned not to place reliance on those statements.

The forward looking statements in this Explanatory Memorandum reflect views held only as at the date of this Explanatory Memorandum.

Subject to any continuing obligations under law or the Listing Rules, Helloworld and AOT have no obligation to disseminate, after the date of this Explanatory Memorandum, any updates or revisions to any forward looking statements to reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

NOTICE TO PERSONS OUTSIDE AUSTRALIA

This Explanatory Memorandum has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Merger Proposal which is not contained in this Explanatory Memorandum. Any information or representation not contained in this Explanatory Memorandum must not be relied on as having been authorised by Helloworld or the Helloworld Board in connection with the Merger Proposal.

RESPONSIBILITY FOR INFORMATION

The information contained in this Explanatory Memorandum (except for the Independent Expert's Report, the AOT Information (described below) and the Joint Information (described below)) has been prepared by Helloworld (**Helloworld Information**) and is the responsibility of Helloworld. None of AOT, nor any of its related entities, directors, officers, employees, contractors, advisers or agents, assumes any responsibility for the accuracy or completeness of any information contained in this Explanatory Memorandum except the AOT Information and the Joint Information.

The AOT Information has been prepared by AOT and is the responsibility of AOT. Neither Helloworld, nor any of its related entities, directors, officers, employees, contractors, advisers or agents, assumes any responsibility for the accuracy or completeness of any AOT Information.

Helloworld and AOT have jointly prepared and are jointly responsible for the Joint Information.

Grant Thornton has prepared the Independent Expert's Report and has given, and has not withdrawn, as at the date of this Explanatory Memorandum, its written consent to the inclusion of the Independent Expert's Report, and the references to that report, in the form and context in which they are included in this Explanatory Memorandum. Grant Thornton takes responsibility for that report but is not responsible for any other information contained in this Explanatory Memorandum. Neither Helloworld nor AOT nor any of their respective related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Independent Expert's Report. Helloworld Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

DEFINITIONS

Defined terms are used in this Explanatory Memorandum. The defined terms are in the Glossary set out in section 9.

ASIC and ASX

A copy of this Explanatory Memorandum was lodged with ASIC on 4 December 2015 in accordance with section 218 of the Corporations Act and for the purposes of ASIC Regulatory Guide 74, and provided to ASX on the same date in accordance with Listing Rule 15.1.

Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this Explanatory Memorandum.

DATE

This Explanatory Memorandum is dated 18 December 2015.

Key Dates

Date of this Explanatory Memorandum	**22 December 2015**
Deadline for returning proxy forms	**20 January 2016 at 10.00am (Sydney time)**
Record date for determining Helloworld Shareholders' entitlement to vote at General Meeting	**20 January 2016 at 7.00pm (Sydney time)**
General Meeting of Helloworld Shareholders	**22 January 2016 at 10.00am (Sydney time)**
Completion Date for the Merger Proposal	**1 February 2016**[1]

Any changes to these dates will be announced to the ASX.

[1] This date is indicative only. Completion will be deemed to have taken place on 31 January 2016 for accounting purposes.

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Letter from the Chairman

18 December 2015

Dear Helloworld Shareholder

On 20 November 2015, Helloworld announced that it had agreed to merge its business with AOT Group Limited (**AOT**) to create a single travel company that is larger, stronger and more competitive. The proposed merger is subject to various conditions and will be structured as the acquisition of AOT by Helloworld, with the consideration being the issue of 36.45 million new Helloworld Shares and the payment of $25 million[2] to the AOT Vendors. The purpose of the General Meeting on 22 January 2015 is to seek your approval of the Resolutions relating to the Merger Proposal.

AOT is a leading, privately owned, travel services provider with operations in Australia and internationally, operating in the inbound, government and wholesale sectors of the travel industry. AOT is a growing and profitable business, generating revenue of $55.8 million and reported EBITDA of $14.5 million in FY15.

The Merger Proposal provides an opportunity to integrate two complementary travel businesses to create a leading integrated travel group in the Australian market offering a broad range of travel products and services. The integration of the two businesses is expected to increase the scale and earnings of the enlarged Helloworld Group, allowing it to better compete with larger participants in the retail, wholesale and corporate travel industry and with global online competitors.

The Merger Proposal is expected to be earnings per share accretive to Helloworld and is also expected to generate cost savings, which will better position it for future growth. Helloworld has estimated that pre-tax cost savings of $7.6 million can be achieved by 30 June 2017 on an annualised basis by combining the two businesses. The one-off costs of implementation to achieve these annual cost savings are expected to be in the vicinity of $2.0 million. These estimates are based on a review of the potential cost savings areas and a risk assessment as to the achievement of those identified savings.

In combination with their existing 10.2% shareholding in Helloworld, the AOT Vendors will hold 40.0% of the fully diluted Helloworld share capital at Completion. As a result of the Merger Proposal, the shareholdings of Helloworld's other existing substantial shareholders will be diluted by approximately 33.2%. This will impact the shareholdings of other substantial shareholders as follows: Qantas a reduction to 19.3%, Europe Voyager to 15.6%, interests associated with Sintack to 13.4% and UBS to 4.6%.

Qantas has confirmed to the Helloworld Board that, in the absence of a Superior Proposal, it intends to vote in favour of the resolutions to be put to the shareholders at the General Meeting. Europe Voyager has confirmed to the Helloworld Board that, in the absence of a Superior Proposal, subject to the Independent Expert appointed by Helloworld concluding that the Proposed Merger is in the best interests of Non-associated Helloworld Shareholders and the General Meeting being held no later than 31 March 2016, it intends to vote all Helloworld Shares which it holds or controls at the date of the General Meeting in favour of the Resolutions. Accordingly, Helloworld Shareholders who own or control more than 50% of Helloworld Shares as at the date of this Explanatory Memorandum have indicated that they intend to vote in favour of the Merger Proposal such that, if no Superior Proposal emerges, it is likely the Merger Proposal will succeed.

Andrew Burnes, founder, co-owner and Chief Executive Officer of AOT, will become Chief Executive Officer and Managing Director of the enlarged Helloworld Group if the Merger Proposal proceeds. Cinzia Burnes, co-owner and the Chief Operating Offer of AOT, will be appointed as an Executive Director if the Merger Proposal proceeds. The resignation of Elizabeth Gaines as Chief Executive Officer was announced in June. Your Directors would like to take this opportunity to thank Elizabeth Gaines for her significant contribution to Helloworld.

[2] The cash consideration is subject to adjustment to reflect the acquisition of AOT on a cash free, debt free basis.

It is proposed that following the merger, the enlarged Helloworld Board will have seven Directors, and will be reconstituted to comprise, in addition to Andrew Burnes and Cinzia Burnes, an independent non-executive Chairman, an independent non-executive Director and a nominee of each of Helloworld's other major shareholders, being Qantas (initially myself), Sintack (initially Peter Spathis) and Europe Voyager (initially Andrew Cummins). Mr Brett Johnson and Mr James Millar have decided to step down from the Helloworld Board upon conclusion of the General Meeting. Both directors have been valuable members of the Helloworld Board. Brett Johnson was appointed to the Board in February 2009 and was appointed as Chairman on 1 October 2014. Brett has also served as a member of both the Audit Committee and the Remunerations and Nominations Committee. James Millar was appointed to the Board in September 2010 and has served as the Chairman of the Audit Committee throughout his tenure on the Board. The remaining Helloworld Directors are grateful for the substantial contribution that both Brett and James have made to Helloworld.

The Helloworld Board commissioned Grant Thornton to prepare an Independent Expert's Report on the merits of the Merger Proposal. Grant Thornton has concluded that the Merger Proposal is not fair but reasonable, and in the best interests of the Non-associated Helloworld Shareholders in the absence of a superior proposal.

For the reasons set out in section 2.7 of this Explanatory Memorandum, your Directors unanimously recommend that you vote in favour of the Resolutions to approve the Merger Proposal in the absence of a Superior Proposal.

Further information in relation to the Merger Proposal is contained in this Explanatory Memorandum and in the Independent Expert's Report which is contained in section 10.

I encourage you to vote on the Resolutions. If you wish the Merger Proposal to proceed, you should vote in favour of the Resolutions. If you are unable to attend the General Meeting, please complete the enclosed proxy form and return it in accordance with the instructions on the form.

Please read all parts of this Explanatory Memorandum before making your decision on how to vote on the Resolutions at the General Meeting. If you have any questions in relation to the Merger Proposal or this Explanatory Memorandum, please contact the Helloworld Company Secretary, Stephanie Belton, on +61 2 8229 4000 between 9.00am and 5.00pm (Sydney time), Monday to Friday.

Yours sincerely

Rob Marcolina
Acting Chairman
Helloworld Limited

1 Highlights of the Merger Proposal

This section is a summary only. Helloworld Shareholders should read this entire Explanatory Memorandum before making a decision on how to vote on the Resolutions.

1.1 OVERVIEW OF HELLOWORLD POST MERGER

The Merger Proposal combines the Helloworld and the AOT Group businesses to create a leading integrated travel group in the Australian market offering a broad range of travel products and services.

Following the implementation of the Merger Proposal, Helloworld will have:

- **Expanded scale and enhanced offerings**
  - Significant strength in inbound travel management
  - Expanded government offering
  - Expanded and enhanced wholesale operations
  - Stability for the enlarged Helloworld Group's staff, franchisees and affiliate retail agencies and suppliers
- **Vertical integration**
  - The Merger Proposal will combine the complementary strengths of the AOT Group with Helloworld
  - AOT will expand Helloworld's offering into inbound travel management
  - The combination of wholesale operations should give the enlarged Helloworld Group greater ability to negotiate improved commercial arrangements
  - The enlarged Helloworld Group will service the Australian Government as a domestic accommodation program manager and travel management services provider
- **Financial strength**
  - Annual total transaction value (or TTV) of approximately $5.0 billion (based on FY2015 actuals)
  - Pro forma historical revenues for FY2015 for the enlarged Helloworld Group of approximately $333.7 million
  - Estimated pre-tax cost savings of $7.6 million can be achieved by 30 June 2017 on an annualised basis
- **A strong management and business platform**
  - Approximately 2,000 staff
  - An experienced management team comprising members of both AOT and Helloworld businesses to be led by Andrew Burnes as CEO

1.2 KEY BENEFITS FOR HELLOWORLD SHAREHOLDERS

Important expected benefits of the Merger Proposal include:

- Increased scale resulting in a larger and more competitive offering

- A more diverse investment exposure, leveraged to inbound tourism growth with enhanced wholesale operations
- Additional management expertise
- Material financial benefits through cost synergies

Further details of the benefits of the Merger Proposal are set out in section 2.4 of this Explanatory Memorandum.

1.3 POTENTIAL DISADVANTAGES AND RISKS FOR HELLOWORLD SHAREHOLDERS

Potential disadvantages of the Merger Proposal include:

- Dilution of existing Helloworld Shareholders' (other than the AOT Vendors) voting power from the issue of Helloworld Shares to the AOT Vendors
- CEO and Associates with 40% shareholding may result in those persons being able to control the composition of the Helloworld Board which could in turn impact governance arrangements – Helloworld has required the AOT Vendors to enter into Voluntary Escrow Deeds which seek to address this risk
- Helloworld Shareholders will be exposed to the risks relating to the Merger Proposal described in section 5.6 of this Explanatory Memorandum
- Share price uncertainty

Further details of the potential disadvantages and risks relating to the Merger Proposal are set out in sections 2.5 and 5.6 of this Explanatory Memorandum.

2 The Merger Proposal

2.1 BACKGROUND

Helloworld was formed in 2000 and has grown to become one of the largest travel companies in Australia. Helloworld expanded its business through the acquisition of Qantas Holidays and QBT in July 2008 which introduced significant wholesale operations and a corporate travel management business. Helloworld further expanded its business in 2010 by merging with Stella Travel Services. This provided Helloworld with the opportunity to take advantage of the wholesale and online offerings of Stella Travel, as well as combining the capabilities of both businesses to better service the franchisees, affiliates and buying groups associated with each business.

2.2 TERMS OF THE MERGER PROPOSAL

2.2.1 Share Consolidation

If the Resolutions are passed by Helloworld Shareholders, Helloworld will consolidate its Shares on a six to one basis (which would have the effect of reducing the total number of Helloworld Shares on issue to approximately 73,388,367 Shares) (**Share Consolidation**).

2.2.2 Merger Consideration

If the Resolutions are passed by Helloworld Shareholders and the Merger Proposal is implemented, Helloworld will acquire 100% of the shares in AOT for:

- **Share Consideration**: the issue of 36,450,001 Helloworld Shares (post-Share Consolidation) to the AOT Vendors, representing 33% of the total Helloworld Shares on issue immediately following Completion, on the terms of the Merger Implementation Agreement (a summary of which is set out in section 6.1); and

- **Cash Consideration**: the payment of $25 million cash to the AOT Vendors on Completion, subject to adjustment to reflect the acquisition of AOT being made on a cash free, debt free basis.

The Helloworld Shares to be issued as consideration under the Merger Proposal will be issued as fully paid shares, free from all Encumbrances, subject to Helloworld's constitution and on the basis that they rank equally in all respects with the Helloworld Shares currently on issue.

2.2.3 Conditions of the Merger Proposal

The Merger Proposal is subject to a number of outstanding conditions as at the date of this Explanatory Memorandum including:

- the passing of the Resolutions at the General Meeting;

- no legal restraint or prohibition preventing Completion;

- no Helloworld Material Adverse Change occurs;

- no Helloworld Prescribed Occurrence or AOT Prescribed Occurrence occurs;

- no material breach of any Helloworld Warranties or AOT Warranties occurs;

- repayment or satisfaction of all loans from AOT to the AOT Vendors; and

- transfer of Helloworld Shares held by any member of AOT Group to a third party who is not a member of the AOT Group (but which may include any or all of the AOT Vendors).

Section 6.1.2 contains a detailed summary of all the material conditions to Completion. Completion of the Merger Proposal cannot occur until these conditions are either satisfied or waived.

The terms of the Merger Proposal are set out in the Merger Implementation Agreement, the material provisions of which are summarised in section 6.1.

2.2.4 Helloworld Board and management

If the Merger Proposal is implemented, the Helloworld Board will be reconstituted to comprise the following persons:

- Independent Chairman to be appointed by the Helloworld Board after Completion;
- Independent Non-executive Director to be appointed by the Helloworld Board after Completion;
- Rob Marcolina (Acting Chairman);
- Andrew Burnes (Managing Director and CEO);
- Cinzia Burnes (Executive Director);
- Peter Spathis (Non-executive Director); and
- Andrew Cummins (Non-executive Director).

The Helloworld Board intends that the independent Chairman will chair the Remuneration and Nominations Committee, and the independent non-executive director will chair the Audit Committee. Pending the appointment of the independent Chairman, Rob Marcolina will remain as acting Chairman.

The Helloworld Board has commenced a search for the two independent non-executive director roles noted above. Helloworld will inform its shareholders and ASX of the identity of these directors once it is known.

Mr Brett Johnson and Mr James Millar have decided to step down from the Helloworld Board upon conclusion of the General Meeting.

Further information on the Directors of the reconstituted Helloworld Board is contained in section 5.3.

Upon Completion, Andrew Burnes will be appointed as the Managing Director and CEO of the enlarged Helloworld Group and Cinzia Burnes will be appointed an Executive Director of Helloworld. Further information on the new CEO and Managing Director, and Executive Director is contained in section 5.3.

2.2.5 Voluntary Escrow Deeds

The AOT Vendors will each enter into a Voluntary Escrow Deed on Completion under which the AOT Vendors undertake that they and their Affiliates will not:

- prior to the second anniversary of the Completion Date, dispose of, create an Encumbrance over or transfer effective ownership or control of any of their Helloworld Shares (except an Encumbrance in favour of one or more Independent Financiers[3]) in the absence of a takeover bid or scheme of arrangement for the acquisition of all Helloworld Shares then on issue, or the resignation of Andrew Burnes as Chief Executive Officer and Managing Director of Helloworld; or

- vote more than 30% of their voting power on any resolution that relates to the composition of the Helloworld Board while:
  - the AOT Vendors and their Associates collectively have a relevant interest in 30% or more, and less than 50%, of the votes attached to all Helloworld Shares;
  - Andrew Burnes remains the Chief Executive Officer and Managing Director of Helloworld; and
  - no other person or group of Associates (not being Associates of the AOT Vendors) has a relevant interest in more than 20% of the votes attached to all Helloworld Shares.

Helloworld required the AOT Vendors to agree to the voting restrictions described above to minimise the ability of the AOT Vendors, while Andrew Burnes is the CEO and Managing Director of Helloworld, to control the composition of the Helloworld Board during the Escrow Period. The terms of the Voluntary Escrow Deeds are summarised in section 6.2.

2.3 IMPACT OF MERGER PROPOSAL

Prior to Completion, the Helloworld Shares held by existing Helloworld Shareholders will be consolidated on a six to one basis. The AOT Vendors will be issued with 36,450,001 Helloworld Shares (post-Share Consolidation) and all other Helloworld Shareholders (other than the AOT Vendors) will continue to hold their Helloworld Shares. Helloworld will remain listed on the ASX.

On Completion, the enlarged Helloworld Group will have five major shareholders:

- Andrew Burnes and Cinzia Burnes and entities they control (the AOT Vendors) with a collective 40% shareholding;
- QH Tours (a member of the Qantas group) with a 19.3% shareholding;
- Europe Voyager NV with a 15.6% shareholding;
- Sintack Pty Ltd and Associates with a 13.4% shareholding; and
- UBS Australia Holdings Limited with a 4.6% shareholding.

The table below shows how current shareholdings in Helloworld will be affected by implementation of the Merger Proposal following the Share Consolidation and the subsequent issue of Helloworld Shares to the AOT Vendors (as described in section 2.2.1).

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[3] Independent Financier means: (a) a financial institution holding an appropriate Australian financial services licence that engages in, among other things, the provision of financial accommodation to third parties and taking security over financial products in relation to that financial accommodation and that is not an Affiliate of the relevant AOT Vendor; or (b) an Australian bank.

Shareholder(s)	Current		Post Share Consolidation		Post Merger	
	Number of Helloworld Shares	% of total	Number of Helloworld Shares[4]	% of total	Number of Helloworld Shares	% of total
QH Tours	127,340,726	28.9	21,223,454	28.9	21,223,454	19.3
Europe Voyager NV	102,568,377	23.3	17,094,730	23.3	17,094,730	15.6
Sintack Pty Ltd and Associates	88,013,982	20.0	14,668,997	20.0	14,668,997	13.4
AOT Vendors	44,980,629	10.2	7,496,772	10.2	43,946,773	40.0
UBS Australia Holdings Limited	30,632,738	7.0	5,105,456	7.0	5,105,456	4.6
Other Helloworld Shareholders	46,793,746	10.6	7,798,958	10.6	7,798,958	7.1
Total	**440,330,198**	**100.0**	**73,388,367**	**100.0**	**109,838,368**	**100.0**

As explained in section 2.2.5 above, at Completion each of the AOT Vendors will enter into a Voluntary Escrow Deed that will prevent the sale or disposal of the Helloworld Shares they hold until the second anniversary of the Completion Date (**Escrow Period**), subject to certain exceptions. The terms of the Voluntary Escrow Deeds are summarised in section 6.2.

The proposed escrow arrangements will have the effect that a significant proportion of the enlarged Helloworld Group's share capital will be escrowed during the Escrow Period. However, these arrangements will not restrict the escrowed parties from accepting into a takeover bid or participating in a scheme of arrangement if a third party makes a takeover offer, or proposes a scheme of arrangement, for 100% of the issued share capital of Helloworld and that offer is accepted or scheme approved by holders of a majority of the Helloworld Shares that are not subject to escrow restrictions. Notwithstanding, these escrow arrangements could be regarded as having a potential defensive effect on the market for control of Helloworld Shares, your Helloworld Directors consider that they are in the best interests of Helloworld Shareholders.

The presence of five major shareholders, post Completion who between them will hold 92.9% of the issued share capital of Helloworld, and the escrow restrictions over a significant proportion of the issued share capital of Helloworld during the Escrow Period may be regarded as resulting in low levels of liquidity for Helloworld Shares, which may potentially influence the price at which Helloworld Shares trade on the ASX. It is also possible that the share price of Helloworld will be affected by any decisions any of the AOT Vendors make in relation to their shareholding in Helloworld following expiry of the Escrow Period. Helloworld gives no assurance of the price at which Helloworld Shares will trade post Completion or following expiry of the Escrow Period.

2.4 ADVANTAGES OF THE MERGER PROPOSAL

Helloworld and the AOT Group are two leading complementary businesses in the Australian and New Zealand travel industry. The Merger Proposal is expected to:

- increase the scale and earnings of Helloworld, allowing it to better compete with larger participants in the retail, wholesale and corporate travel industry and with global online competitors;

[4] The numbers shown in this column and the column headed 'Post Merger' are approximate as the number of Helloworld Shares on issue post-Share Consolidation is subject to rounding. Furthermore, this column assumes that the various shareholders listed in the table continue to hold the same number of Helloworld Shares on Completion as they hold at the date of this Explanatory Memorandum

- be earnings accretive to Helloworld and generate cost savings in the enlarged Helloworld Group by reducing costs and providing opportunities for rationalisation of operations; and
- position the enlarged Helloworld Group for future growth.

Specifically, the Merger Proposal should result in a range of benefits for Helloworld and Helloworld Shareholders including:

- **Increased scale** – the Merger Proposal will enable Helloworld to compete with larger industry participants by combining the operations of Helloworld and the AOT Group. Increased scale will result in long-term benefits and stability for the enlarged Helloworld Group's staff, franchisees and affiliate retail agencies, suppliers and other trading partners. On a pro forma basis, the historical FY2015 revenue for the enlarged Helloworld Group is $333.7 million and the historical pro forma FY2015 EBITDAI for the enlarged Helloworld Group is $41.4 million;
- **Expansion into inbound travel** – the AOT Group brings to the enlarged Helloworld Group strength in inbound travel management, with the AOT Group being a leading inbound travel services provider in Australia, New Zealand and the South Pacific;
- **Enhanced wholesale operations** – the combined wholesale operations of Helloworld and the AOT Group will give the enlarged Helloworld Group greater ability to negotiate improved commercial arrangements and allocations of inventory;
- **An enhanced government and corporate services offering** – the AOT Group and Helloworld provide travel management services to federal government agencies. The respective federal government teams will leverage the government relationships and experience within each company to provide enhanced offerings to state and local governments and major corporate clients;
- **A larger and more competitive offering** – integration of the businesses will provide a larger distribution network in Australia, New Zealand and globally, lower costs of operation and provide broader range of products and services;
- **Additional management expertise and stability** – the enlarged Helloworld Group will have access to the skills and travel industry experience of the AOT Group management team: Andrew Burnes will assume the role of CEO and Managing Director of Helloworld, Cinzia Burnes (who is currently COO of AOT) will assume the role of Executive Director of Helloworld, and other senior management, including Jason Strong, AOT General Manager New Zealand and Barney Johnstone, head of content at AOT will also join Helloworld; and
- **Material financial benefits** – through cost savings expected to result from merging the Helloworld and the AOT Group businesses, Helloworld has estimated that pre-tax cost savings of $7.6 million can be achieved by 30 June 2017 on an annualised basis. The one-off costs of implementation to achieve these annual cost savings are expected to be in the vicinity of $2.0 million. These estimates are based on a review of the potential cost saving areas and a risk assessment as to the achievement of those identified cost savings.

2.5 DISADVANTAGES OF THE MERGER PROPOSAL

The Helloworld Directors have identified the following potential disadvantages of the Merger Proposal:

- **Dilution of voting power from the issue of Helloworld Shares to AOT Vendors** – if the Merger Proposal proceeds, the AOT Vendors will receive 36,450,001 new Helloworld Shares in consideration for the sale of the AOT Group to Helloworld. The shareholdings of existing Helloworld Shareholders (other than the AOT Vendors) will not change as a result of the Merger Proposal. Consequently, existing Helloworld Shareholders' interests in Helloworld (other than the AOT Vendors) will be diluted by 33% as a result of the issue of new Helloworld Shares to the AOT Vendors. This will also result in a smaller percentage of Helloworld free float. The aggregate interest of the top five Helloworld shareholders (including the AOT Vendors) in Helloworld Shares will increase from 89.4% to 92.9% following completion of the Merger Proposal, which may result in lower levels of liquidity for Helloworld Shares;

- **Helloworld Shareholders will be exposed to the risks associated with the AOT Group** – any travel industry business, such as the AOT Group, is exposed to inherent operating risks such as exposure to natural disasters and terrorist attacks which may adversely affect demand for travel. Helloworld currently operates under a similar set of operating risks;

- **Integration risks** – the Merger Proposal involves bringing together two complementary travel groups. A number of cost efficiencies are expected to arise from combining elements of these businesses, including administrative systems, IT systems, advertising materials and, in some areas, Helloworld and AOT Group personnel. There are risks associated with this proposed integration and achieving the expected operational and financial cost savings. The integration process may take longer than anticipated or may result in lower cost savings than expected. Members of the Helloworld retail franchise network could leave the network as a result of implementation of the Merger Proposal. In addition, the competitive landscape faced by the enlarged Helloworld Group will change and the merger benefits could be eroded in the long term through competition;

- **Further management and leadership change** – there have been several changes of CEO at Helloworld since the creation of the merged business in 2010. Implementation of the Merger Proposal will result in a further change to the leadership team, which may give rise to some concern, particularly among some members of the independent retail franchise networks. The retail members are subject to fixed term franchise agreements and may choose to exit the networks on expiry of those agreements;

- **Share price uncertainty** – the price at which Helloworld Shares trade on the ASX after the Merger Proposal is implemented will be influenced by a range of factors including the liquidity of Helloworld Shares. There is no guarantee that Helloworld Shares will trade at or above current trading prices;

- **Increased debt** – if the Merger Proposal proceeds, Helloworld will draw down on its existing debt facilities to fund the payment of up to $25 million to the AOT Vendors as consideration under the Merger Proposal. As at 30 June 2015, Helloworld had approximately $23.2 million in non-current, interest bearing liabilities. The proposed draw down would increase that figure to up to $48.2 million, an increase of up to 107%. Notwithstanding this, following the proposed draw down of up to $25 million, the Company will remain well within the key financial covenants provided for under its existing debt facilities. There are risks associated with Helloworld holding increased levels of debt. The value of Helloworld Shareholders’ equity is directly impacted by the quantum of debt held by Helloworld and Helloworld's ability to service that debt; and

- **Governance** – after the Merger Proposal is implemented, the AOT Vendors will be the largest group of shareholders in Helloworld, holding an aggregate of 40% of the Helloworld Shares, and Andrew Burnes will assume the position of Helloworld CEO and Managing Director while his wife Cinzia Burnes will be appointed an Executive Director of Helloworld. This may result in Andrew Burnes and Cinzia Burnes being able to control the composition of the Helloworld Board which could be regarded as having the potential to impact Helloworld's governance arrangements. Helloworld has sought to address the risk that the AOT Vendors could seek to control the composition of the Helloworld Board during the Escrow Period by requiring the AOT Vendors to undertake not to vote more than 30% of their voting power on any resolution for the election or removal of a person from the Helloworld Board while Andrew Burnes is the CEO and Managing Director of Helloworld, subject to certain exceptions.

In addition to the potential disadvantages of the Merger Proposal outlined above, the Helloworld Shareholders should be aware of the following risk factors in relation to implementation of the Merger Proposal (which are set out in greater detail in section 5.6):

- **General risks** – changes in economic conditions, general market risks and changes in the regulatory and legal environment; and

- **Specific risks associated with the enlarged Helloworld Group** – demand risk, commercial and operational risks, foreign exchange risk, industry competition, reliance on key personnel, technology risks, new technology, loss of reputation, brand risk, litigation and legal risk, integration risk, interest rate risk and risks relating to the existence of significant shareholders.

2.6 INDEPENDENT EXPERT'S CONCLUSION

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE MERGER PROPOSAL IS NOT FAIR BUT REASONABLE AND IN THE BEST INTERESTS OF NON-ASSOCIATED HELLOWORLD SHAREHOLDERS.

IN THE ABSENCE OF A SUPERIOR ALTERNATIVE PROPOSAL EMERGING, THE INDEPENDENT EXPERT IS OF THE OPINION THAT THE ADVANTAGES OF THE MERGER PROPOSAL OUTWEIGH THE DISADVANTAGES AND ACCORDINGLY, BELIEVES THAT IT IS IN THE BEST INTERESTS OF THE NON-ASSOCIATED SHAREHOLDERS TO VOTE IN FAVOUR OF THE MERGER PROPOSAL.

- The Independent Expert has concluded that the Merger Proposal is not fair to Non-associated Helloworld Shareholders because it has assessed the value per Helloworld Share before the Merger Proposal (on a control basis) as being higher than the value per Helloworld Share after the Merger Proposal (on a minority basis). That is, the Independent Expert has assessed the value per Helloworld Share before the Merger Proposal as between $0.40 - $0.50 and the value per Helloworld Share after the Merger Proposal as between $0.34 - $0.43.

- The Independent Expert has concluded that the Merger Proposal is nonetheless reasonable. In assessing the reasonableness of the Merger Proposal, the Independent Expert considered certain advantages, disadvantages and other factors described in detail from page 4 of its Report. The advantages include:

  - Consideration of the Merger Proposal on a like-for-like basis
  - Stronger and more integrated business than Helloworld on a standalone basis
  - Increased earnings per share
  - Cost savings
  - Secure a new CEO for Helloworld

  The disadvantages considered by the Independent Expert include:

  - The Merger Proposal is not fair
  - Liquidity of the Merged Entity
  - Corporate Governance
  - Likelihood of receiving a premium for control in the future

  Other factors considered by the Independent Expert include:

  - Premium for control received
  - Special value for AOT
  - Potential for adverse reaction from key Helloworld stakeholders
  - Combined expertise and skills of the boards and management teams
  - Increased level of debt
  - Helloworld Share price in the absence of the Merger Proposal
  - Escrowed shares
  - Prospect of a superior offer or alternative transaction
  - Substantial goodwill balance after completion of the Merger Proposal

- Implications if the Merger Proposal is not implemented
- Substantial shareholders' intentions
- Directors' recommendations and intentions

In its analysis the Independent Expert has valued the equity in Helloworld on a minority basis. More information on the Independent Expert's choice of valuation methodologies is contained in section 7 of the Independent Expert's Report.

The Independent Expert has made a number of assumptions in its valuation of Helloworld, in particular an estimate of future maintainable earnings and selection of earnings capitalisation multiples. More information on the Independent Expert's valuation assumptions is contained in sections 8 and 9 of the Independent Expert's Report.

The Independent Expert's Report is an important document which you should read in full. It contains important qualifications and assumptions relevant to the opinions expressed. The Independent Expert's Report is contained in section 10 of this Explanatory Memorandum.

2.7 DIRECTORS' RECOMMENDATIONS

Your Directors have carefully considered the terms of the Merger Proposal and the conclusions of the Independent Expert. The Helloworld Board has also taken independent financial, accounting and legal advice in relation to the Merger Proposal. It is important for each Helloworld Shareholder to carefully consider the case for and against the Merger Proposal, as well as the Independent Expert's assessment of the merits of the Merger Proposal, before voting on the Resolutions.

The Directors' recommendations, which are set out below, have been separated into two categories to reflect the reasons for their recommendations and the fact that Rob Marcolina and Andrew Cummins are the nominees of Qantas and Europe Voyager respectively (being Helloworld's two major shareholders who collectively hold more than 50% of Helloworld's issue share capital at the date of this Explanatory Memorandum and who have indicated that they intend to vote in favour of the Merger Proposal in the absence of a Superior Proposal[5]).

RECOMMENDATION OF ROB MARCOLINA AND ANDREW CUMMINS, being nominees of Qantas and Europe Voyager, respectively

Rob Marcolina and Andrew Cummins believe that the Merger Proposal is in the best interests of Helloworld Shareholders and recommend that Helloworld Shareholders vote in favour of all the Resolutions, in the absence of a Superior Proposal. Their recommendation to vote in favour of all of the Resolutions has been formed having regard to the following:

- in their opinion the key benefits that will be delivered to Helloworld Shareholders by the Merger Proposal outweigh its potential disadvantages and risks (see sections 2.4 and 2.5 for details of the benefits and potential disadvantages and section 5.6 for details of the potential risks associated with a shareholding in the enlarged Helloworld Group);

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[5] Europe Voyager has also informed Helloworld that it intends to vote all Helloworld Shares which it holds or controls at the date of the General Meeting in favour of the Resolutions conditional upon:

- the Independent Expert determining that the Proposed Merger is in the best interests of Helloworld Shareholders and that such opinion is not changed prior to the General Meeting; and
- the General Meeting being held on or prior to 31 March 2016.

- the absence of an available alternative transaction that would provide comparable potential or superior benefit for Helloworld Shareholders; and
- the Independent Expert's conclusion that the Merger Proposal is not fair, but reasonable and in the best interests of Helloworld Shareholders, in the absence of a superior proposal (see section 10).

Andrew Cummins intends to vote those Helloworld Shares he holds or controls in favour of all of the Resolutions. Rob Marcolina does not hold or control any Helloworld Shares.

RECOMMENDATION OF BRETT JOHNSON, JAMES MILLAR AND PETER SPATHIS

Brett Johnson, James Millar and Peter Spathis note that Qantas and Europe Voyager, shareholders owning more than 50% of the issued capital in Helloworld at the date of this Explanatory Memorandum, have informed the Board that they intend to vote in favour of the Resolutions to approve the Merger Proposal in the absence of a Superior Proposal and certain other conditions.[6] As such, the Merger Proposal will be approved by the requisite majority of shareholders and will be implemented in the absence of a Superior Proposal.

In these circumstances, Messrs Johnson, Millar and Spathis believe that it is in the best interests of all shareholders in Helloworld that the Merger Proposal be implemented as quickly as possible to allow, among other things, a new Executive Team and Board to be appointed (as set out in this Explanatory Memorandum) and to execute their plans for Helloworld. For that reason and after carefully considering each of the advantages and disadvantages of, and risks associated with, the Merger Proposal (as set out in sections 2.4, 2.5 and 5.6) and having regard to the conclusion of the Independent Expert, Messrs Johnson, Millar and Spathis recommend that Helloworld Shareholders vote in favour of the Proposed Merger in the absence of a Superior Proposal.

Messrs Johnson, Millar and Spathis recommend that all shareholders read and carefully consider all the material set out in this Explanatory Memorandum before deciding how they will vote.

It should be noted that Mr Johnson and Mr Millar will be retiring from the Helloworld Board upon the conclusion of the General Meeting to be held on 22 January 2016.

Each of these Directors intend to vote those Helloworld Shares they hold or control in favour of all of the Resolutions.

2.8 INTERESTS OF HELLOWORLD DIRECTORS IN THE RESOLUTIONS

None of Helloworld's Directors have any personal interest in the issue of new Helloworld Shares and the payment of the Cash Consideration to the AOT Vendors under the terms of the Merger Implementation Agreement, except in their capacity as shareholders in Helloworld. The Directors' relevant interests in Helloworld Shares as at the date of this Explanatory Memorandum (and therefore pre-Share Consolidation) are as follows:

- Mr Rob Marcolina does not have a relevant interest in any Helloworld Shares.
- Mr Andrew Cummins has a relevant interest in 970,498 Helloworld Shares.
- Mr Peter Spathis has a relevant interest in 500,000 Helloworld Shares.

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[6] Europe Voyager intends to vote all Helloworld Shares which it holds or controls at the date of the General Meeting in favour of the Resolutions conditional upon:

- the Independent Expert determining that the Proposed Merger is in the best interests of Helloworld Shareholders and that such opinion is not changed prior to the General Meeting; and
- the General Meeting being held on or prior to 31 March 2016.

- Mr Brett Johnson has a relevant interest in 200,000 Helloworld Shares.
- Mr James Millar has a relevant interest in 40,000 Helloworld Shares.

2.9 TAX CONSEQUENCES

There will be no Australian capital gains tax consequences for Helloworld Shareholders if the Merger Proposal is implemented as Helloworld Shareholders will continue to hold their Helloworld Shares, unless they elect to dispose of them. This is a general statement as to the likely Australian tax consequences for Helloworld Shareholders; however, it is not intended to provide taxation advice in respect of the particular circumstances of any Helloworld Shareholder. Helloworld Shareholders should obtain their own taxation advice.

2.10 IMPLICATIONS IF THE MERGER PROPOSAL DOES NOT PROCEED

If the Merger Proposal does not proceed, Helloworld Shareholders will not gain exposure to the AOT Group through the enlarged Helloworld Group. Helloworld will continue to operate in its current form. The AOT Group will continue to operate as a separate business and as a competitor to Helloworld in some segments of the market.

In these circumstances, neither the advantages of the Merger Proposal outlined in section 2.4 nor the potential disadvantages outlined in section 2.5 will be relevant to Helloworld Shareholders.

3 Key Questions Answered

Question	Answer
Why have I received this Explanatory Memorandum?	Helloworld is proposing to acquire 100% of the shares in AOT. This Explanatory Memorandum is intended to help you, as a Helloworld Shareholder, decide how to vote on the Resolutions relating to the Merger Proposal.
What is the Merger Proposal?	The Merger Proposal involves a merger of Helloworld and AOT through the acquisition of AOT by Helloworld. If Helloworld Shareholders pass the Resolutions and other conditions in the Merger Implementation Agreement are satisfied or waived, Helloworld will acquire all of the AOT Shares on issue at Completion. In return, Helloworld will issue new Helloworld Shares to the AOT Vendors, which will increase their collective interest in Helloworld to 40% of the issued share capital of Helloworld immediately following the implementation of the Merger Proposal. Helloworld will also pay the Cash Consideration to the AOT Vendors upon Completion. See section 2 for further information.
Do the Helloworld Directors recommend the Merger Proposal?	The recommendations of the Helloworld Directors, and their reasons for those recommendations, are set out in section 2.7. Each of the Helloworld Directors recommend that Helloworld Shareholders vote in favour of the Resolutions to approve the Merger Proposal, in the absence of a Superior Proposal.
What is the Share Consolidation?	If the Resolutions are passed by Helloworld Shareholders, Helloworld will consolidate the Helloworld Shares on a six to one basis.
What has the Independent Expert said?	The Independent Expert has concluded that the Merger Proposal is not fair, but reasonable and in the best interests of Helloworld Shareholders, in the absence of a superior proposal. The full report of the Independent Expert is set out in section 10.
When will the Merger Proposal be implemented?	Subject to the satisfaction or waiver of any outstanding conditions, the Merger Proposal is expected to be implemented on 1 February 2016.
Will Helloworld Shareholders be issued with new Helloworld Shares?	No, Helloworld Shareholders (other than the AOT Vendors) will continue to hold their existing Helloworld Shares and will not be issued with new Helloworld Shares. However, if the Resolutions are passed by Helloworld Shareholders, their Helloworld Shares will be consolidated on a six to one basis to effect the Share Consolidation.
Will Helloworld remain listed on the ASX?	Yes, Helloworld will remain listed on the ASX.
What are the tax implications of the Merger Proposal for existing Helloworld Shareholders?	There will be no immediate tax implications for the existing Helloworld Shareholders.

Question	Answer
Are there any potential disadvantages associated with the Merger Proposal?	While the Helloworld Directors unanimously recommend you vote in favour of the Resolutions approving the Merger Proposal in the absence of a Superior Proposal for the reasons set out in section 2.7, Helloworld Shareholders should be aware of the potential disadvantages and risks (being both general risks and specific risks associated with the enlarged Helloworld Group) related to the Merger Proposal. These are described in sections 2.5 and 5.6.
What happens if the Resolutions are not approved?	If all of the Resolutions are not passed by Helloworld Shareholders, the Merger Proposal will not be implemented and Helloworld will continue to operate in its current form. However, Helloworld Shareholders who own or control more than 50% of Helloworld Shares at the date of this Explanatory Memorandum have indicated that they intend to vote in favour of the Merger Proposal such that, if no Superior Proposal emerges, it is likely the Resolutions will be approved.
Has Helloworld received an alternative proposal from another party?	No. As at the date of this Explanatory Memorandum Helloworld has not received an alternative proposal to the Merger Proposal from another party.
If I wish to support the Merger Proposal, what should I do?	If you wish to support the Merger Proposal and are eligible to vote in favour of the Merger Proposal, you should vote in favour of the Resolutions to approve the Merger Proposal, either by attending the General Meeting in person or completing, signing and returning your proxy form.
What if I cannot attend the General Meeting?	If you cannot attend the General Meeting, you can still vote (if you are eligible to vote) on the Resolutions by completing, signing and returning your proxy form in accordance with the instructions on the form and the Notice of Meeting. Proxy forms must be received by the Share Registrar no later than 10.00am Sydney time on 20 January 2016.
When will the results of the General Meeting be known?	The results of the General Meeting will be available shortly after its conclusion and will then be released to the ASX.
What are my options?	As a Helloworld Shareholder who is eligible to vote in favour of the Resolutions your options are to: ▪ vote (in person or by proxy) in favour of the Resolutions at the General Meeting to be held (unless postponed or adjourned) on 22 January 2016 to approve the Merger Proposal; ▪ vote against or abstain from voting in respect of one or more of the Resolutions at the General Meeting; ▪ sell your Helloworld Shares on the ASX prior to Completion (scheduled to be on or about 1 February 2016); or ▪ do nothing.

Question	Answer
How do I know if I am eligible to vote on the Resolutions?	You may vote at the General Meeting if you are on the Helloworld Share Register on the Record Date (being 7.00pm (Sydney time) on 20 January 2016), subject to the applicable voting exclusions for each Resolution as set out in the Notice of Meeting contained in section 8. In addition, if you are eligible to vote and have appointed a proxy, attorney or corporate representative, that individual may vote at the General Meeting on your behalf.
What should I do now?	You should: ▪ read this Explanatory Memorandum in full before making any decision on the Merger Proposal; ▪ if necessary, obtain professional financial or legal advice, as this Explanatory Memorandum does not take into account the financial situation, investment objectives and particular needs of any individual Helloworld Shareholder; ▪ determine whether and how you wish to vote on the Resolutions; and ▪ if you wish to vote on the Resolutions, vote at the General Meeting in person or complete, sign and return your proxy form in accordance with the instructions on the form.
Further questions?	If you have any questions about the Merger Proposal, or you would like additional copies of this Explanatory Memorandum or relevant proxy forms, please contact Stephanie Belton, Company Secretary on 02 8229 4000.

4 Information about the AOT Group

4.1 BUSINESS OVERVIEW

4.1.1 Background

The AOT Group is a distributor and seller of travel products and services to the Federal government and wholesale and retail clients domestically and internationally. AOT is the largest inbound tour operator (**ITO**) and one of the largest domestic wholesalers of travel products in Australia and New Zealand and is the exclusive Accommodation Program Manager for the Australian Government.

The AOT Group has a trading history spanning more than 28 years and has grown today to have over 550 staff located in 17 offices worldwide. The AOT Group's main presence is in Asia-Pacific markets but also includes an established presence in Europe and North America.

AOT's travel products and services include accommodation, travel packages, touring products, transfers, car and camper hire, flights and attractions, primarily in Australian, New Zealand and South Pacific destinations.

AOT's success has been driven by establishing long term relationships with some of the best travel distribution partners both domestically and around the world. The AOT Group sells travel services through retail travel agents in Australia and New Zealand, its wholesale and website partners overseas, the Australian Government and direct to the public.

The breakdown of AOT's brands based on the segment of the market it operates in, as well as their position within the Travel Agent Sector distribution chain, are set out below.

	Domestic/Wholesale	Online	Inbound	Government
Product	Accommodation Cruises Attractions Tours Flights Car Hire Rail			Accommodation
AOT brand	Sunlover Holidays Air NZ Holidays Territory Discoveries	Need it now Travel mate Need to Escape	AOT inbound ATS Pacific Experience Tours Australis	aothotels.com.au
Agent / group	Helloworld Independents Webjet		Group tour operators Free Independent Travel (FIT)	
Traveller	Domestic leisure travellers Outbound leisure travellers (NZ and Fiji)		International inbound travellers	Australian Government employees

4.1.2 History

AOT was founded in November 1987 by Andrew Burnes (CEO). The business started out operating four-wheel drive adventure tours from Cairns to surrounding destinations including Cape Tribulation, Cooktown, Cape York and the Gulf of Carpentaria.

AOT timeline

1987	AOT founded by CEO Andrew Burnes
1988	Commenced four-wheel drive tours from Cairns
1990	Started offering services as an ITO
1994	Commenced Travelpoint, which produced wholesale travel programs
	Acquired the Passport Tour Company and commenced operating in the incentive travel space
1997	Commenced ITO in New Zealand
1998	Acquired Landmark Travel
2004	Acquired two of Australia's leading online hotel portals, needitnow.com.au and travelmate.com.au
	Successfully tendered to take over the operations of NSW Holidays under licence from Tourism NSW
2008	Purchased Sunlover Holidays outright from Tourism QLD after taking it over in 2005 under licence
	Acquired Great Aussie Holidays and Experience Tours Australia
2011	Established Pacific Leisure Group as a Joint Venture with Air New Zealand
2012	Appointed exclusive Accommodation Program Manager for the Australian Government
2013	Acquired ATS Pacific in Australia, New Zealand and Fiji, and a 60% share in Tourist Transport Fiji
2014	Awarded a three year licence to operate Territory Discoveries from Tourism NT and the Northern Territory Government
2015	The Australian Federal Government exercised both one year options simultaneously to renew its contract with AOT as exclusive Accommodation Program Manager

Over the past 28 years, AOT's management has steadily transformed the business through a strategy of organic and acquisitive growth. This strategy has seen AOT develop from a tour operator to a full service travel distribution company offering a complete range of travel products and services to customers worldwide.

4.1.3 Revenue diversity

AOT's ongoing transformation of the business has resulted in a more diverse revenue mix, minimising the reliance on any one division and making the business more resilient to any structural changes in the tourism industry.

In addition, AOT's multi-channel distribution network gives it access to a geographically diverse client base. This includes long-standing relationships with a variety of overseas wholesalers, including some of the largest travel groups in the world. Domestically, AOT's customer base is diversified across retail agents, Government agencies and the direct public.

4.1.4 Extensive inventory range and content ownership

AOT has one of the largest portfolios of travel products in Australia, New Zealand and South Pacific, which has been developed over the years through relationships with its product suppliers.

AOT's suppliers include the largest accommodation and touring operators in Australasia and AOT receives favourable commercial terms from its suppliers.

AOT's in-house content team is responsible for contracting, loading and developing travel products and services which are made available globally via AOT's on-line trade websites and connections and via AOT's wholesale brochures.

4.1.5 State-of-the-art technology platform

AOT has made considerable investment to develop its iRes technology platform used for booking Australian, New Zealand and South Pacific travel products. Development of this platform has occurred continually over the past 10 years and is on-going via AOT's dedicated in-house e-commerce team.

The iRes technology platform enables AOT to offer state-of-the-art online solutions to its clients, including:

- 24/7 access to AOT's entire product range;
- competitive pricing via static and dynamic rates;
- instant confirmation on bookings; and
- an easy online booking process.

The iRes platform also enables AOT to offer a direct (xml) connectivity service to its online travel agent clients. This service allows wholesalers and OTAs to connect their own reservation system with AOT's platform and upload the entire AOT product database to their website.

4.2 BUSINESS DIVISIONS

AOT operates three main business divisions: Inbound, Wholesale and AOT Hotels, which are supported by a Central Support Services department. The Inbound division is the largest, representing 50% of TTV in FY15, with AOT Hotels accounting for 28% and Wholesale contributing 22% of TTV in FY15. A summary of AOT's divisions and brands is outlined below.

AOT divisions and brands

the aotgroup

Inbound	AOT Hotels	Wholesale
▪ Leading inbound tour operator for overseas travellers to Australian, New Zealand and South Pacific destinations aotinbound a.t.s. Pacific eta aotNZ ▪ Fiji based business providing transport services under a number of brands TTF Tourist Transport Fiji	▪ Official Accommodation Program Manager for the Australian Government aothotels.com.au – Government Services Division AOTCorporate.com.au Government Employee Travel aotholidays Government Employee Travel	**Wholesale** ▪ One of the largest wholesalers of travel products to retail travel agents in Australia sunlover Holidays Territory Discoveries Air New Zealand Holidays **Online** ▪ Online businesses retail travel products direct to consumers need it now Travelmate.com.au needtoescape.com
FY15 TTV Proportion ▪ % total TTV: 50%	**FY15 TTV Proportion** ▪ % total TTV: 28%	**FY15 TTV Proportion** ▪ % total TTV: 22%

Central Support Services

Management	Financial, Admin & HR	Content & Inventory	Contracting	IT	Distribution Systems

Inbound

AOT's Inbound division supplies Australian, New Zealand and South Pacific travel products to trade clients around the world. AOT's Inbound businesses cater for travellers in the Free Independent Travel (**FIT**), Group and Incentive travel markets. AOT supplies the largest range of Australian, New Zealand and South Pacific travel products to overseas trade clients, offering thousands of products across Australia and New Zealand.

Wholesale

AOT's wholesale division acts as a wholesaler through the supply of Australian, New Zealand and international travel products to retail travel agents in Australia and New Zealand.

In addition, AOT operates a range of B2C online portals that sell travel products directly to consumers targeting domestic travellers in Australia and New Zealand. These websites include individual websites for its Sunlover, Air New Zealand and Territory Discoveries wholesale businesses and websites for other specialist retail brands.

AOT Hotels

AOT is the exclusive domestic accommodation program manager for the Whole of Australian Government Phase 2 travel services, administered by the Department of Finance.

AOT is responsible for managing the domestic accommodation requirements for Commonwealth entities that operate under the *Public Governance, Performance and Accountability Act 2013*. These responsibilities include the sourcing, booking and payment of accommodation for official domestic travel, relocations, groups, conferences and hotel based venue hire.

Under the Commonwealth Procurement Guidelines, the mandatory elements of the arrangement include the booking of all domestic accommodation through AOT, either directly or through the Australian Government's sole Travel Management Services Company, QBT Pty Ltd. Government representatives can book official domestic travel related accommodation through the exclusive Government website; aothotels.com.au, which provides access to specified and predetermined rates with 24 hour assistance available.

Following completion of the initial three year term in 2015, the Australian Government opted to exercise both of its one year options simultaneously.

AOT expanded its Government employee service offering in 2015 to include leisure related travel products through the launch of its website aotholidays.com.au. The website offers exclusive holiday packages and deals in Australia, New Zealand and the South Pacific to Commonwealth, State and Local Government employees and their families, effectively leveraging AOT's inventory to access a broader customer base and audience.

4.3 AOT GROUP FINANCIAL INFORMATION

4.3.1 Overview

This section contains a summary of the AOT Group Financial Information, which is comprised of the following:

- AOT Group Pro-Forma Historical Income Statements for the years ended 30 June 2014 and 30 June 2015, as set out in section 4.3.3; and
- AOT Group Historical Statement of Financial Position as at 30 June 2015, as set out in section 4.3.4.

Also summarised in this section is:

- the basis of preparation of the AOT Group Financial Information (refer to section 4.3.2).

The AOT Directors are responsible for the preparation and presentation of the AOT Group Financial Information.

The information in this section should also be read in conjunction with the risk factors set out in section 5.6 and other information contained in this Explanatory Memorandum.

All amounts disclosed in the tables are presented in A$ and, unless otherwise noted, are rounded to the nearest thousand dollars.

4.3.2 Basis of preparation and presentation of the AOT Group Financial Information

The AOT Group Financial Information has been derived from the statutory accounts of the AOT Group for the years ended 30 June 2014 and 30 June 2015 which were audited by PricewaterhouseCoopers and on which unqualified audit opinions were issued.

The AOT Group Financial Information has been prepared and presented in accordance with the measurement and recognition principles of Australian Accounting Standards (**AAS**), although it is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The AOT Group accounting policies relevant to the AOT Group Financial Information are comparable to those adopted by Helloworld Group (as detailed in the Helloworld Group annual report for the year ended 30 June 2015) with the exception of those policies that are the subject of accounting policy alignment adjustments in the Enlarged Helloworld Group Pro-Forma Financial Information. Refer to section 5.5.4 for details of the accounting policy alignment adjustments.

Consistent with the presentation of the Helloworld Group and enlarged Helloworld Group income statement disclosures in sections 5 and 7, the AOT Group Pro-Forma Historical Income Statements have been presented before interest expense and income tax, depreciation, amortisation and impairment expenses (although there have been no impairment charges in respect of the AOT Group during the periods presented). Following the implementation of the Merger Proposal, the enlarged Helloworld Group will be required to restate the assets and liabilities of the AOT Group (as the deemed acquired entity for accounting purposes) to fair value, and this could have a material impact on depreciation and amortisation. Further, the funding structure may vary following the implementation of the Merger Proposal which could have a material impact on interest expense. Accordingly, the historical interest expense and income tax, depreciation, amortisation and impairment expenses may not be a meaningful representation of the future earnings profile of the AOT Group as part of the enlarged Helloworld Group.

EBITDA and EBITDAI included in this Explanatory Memorandum may be considered non-IFRS financial information. EBITDA is a key financial performance measure used by the AOT Group for its internal management reporting as the AOT Group believes it appropriately reflects what it considers to be its underlying performance. EBITDAI has been presented for comparative purposes consistent with the Helloworld Group and the enlarged Helloworld Group. EBITDA and EBITDAI are not statutory financial measures and are not presented in accordance with Australian Accounting Standards.

For the purposes of the AOT Group Pro-Forma Historical Income Statements, interest income on client cash is included in total revenue due to the operational nature of this income. This is consistent with the way in which the AOT Group has historically treated this interest income.

Preparation of the AOT Group Pro-Forma Historical Income Statements

The AOT Group Pro-Forma Historical Income Statements have been derived from the statutory accounts of the AOT Group for the years ended 30 June 2014 and 30 June 2015 which were audited by PricewaterhouseCoopers and on which unqualified audit opinions were issued.

The AOT Group Pro-Forma Historical Income Statements exclude the impact of non-recurring income and expenses consisting of gains related to acquisitions, profit on the sale of investments, interest income earned on related party receivables, significant bad debt expense and other non-recurring items as these are outside the ordinary course of business or are unusual due to their size, nature or incidence. The AOT Group Directors believe the presentation of this information in this format is useful for investors to assist in their understanding of the AOT Group's financial performance and results of operations, because the AOT Group Pro-Forma Historical Income Statements provide a clearer disclosure of the underlying operating results of the AOT Group.

A reconciliation between the AOT Group Pro-forma Historical Income Statements for the years ended 30 June 2014 and 30 June 2015 and the income statement of the AOT Group extracted from the audited statutory accounts of the AOT Group for those periods is provided in section 4.3.3.

4.3.3 AOT Pro-Forma Historical Income Statements

The AOT Group Pro-Forma Historical Income Statements for the years ended 30 June 2014 and 30 June 2015 are set out below.

AOT Group Pro-Forma Historical Income Statement **Year ended 30 June** **A$000s**	**2014**	**2015**
TTV(1)	**323,876**	**368,535**
Revenue	44,944	54,321
Interest income on client cash	562	626
Total revenue(2)	**45,506**	**54,947**
Expenses	**(33,027)**	**(40,752)**
Share of results from equity accounted investments(3)	**112**	**166**
EBITDAI(2) (4)	**12,591**	**14,361**

1. TTV does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold (exclusive of GST) across the AOT Group's various operations, including when AOT Group acts as agent for various airlines and other service providers, plus revenue from other sources. The AOT Group's revenue is therefore derived from TTV. TTV does not represent the AOT Group's cash flows as some transactions are settled directly between the customer and supplier.
2. For the purposes of the pro forma revenue and EBITDAI, interest income on client cash is included due to the operational nature of this income. EBITDAI is presented before interest expense and income tax, depreciation, amortisation and impairment expenses (although there have been no impairment charges in respect of the AOT Group during the periods presented).
3. Share of results from equity accounted investments relates to profits from AOT Group's investment in Down Under Answers (in which AOT Group has a 33% ownership interest).
4. AOT holds a 50% interest in Pacific Leisure Group Ltd and a 60% interest in TTF Fiji.

In presenting the AOT Pro-Forma Historical Income Statements for the years ended 30 June 2014 and 30 June 2015, adjustments to the audited statutory historical income statements have been made for certain transactions. These adjustments are outlined below.

Year ended 30 June A$000s	Notes	2014 Revenue	2014 EBITDAI	2015 Revenue	2015 EBITDAI
Actual reported AOT Group		**46,527**	**12,506**	**55,837**	**14,530**
Adjustments:					
Gains / losses related to acquisitions	1	(664)	(464)	-	-
Profit on sale of investments	2	(113)	(113)	(403)	(403)
Interest on related party receivables	3	(244)	(244)	(487)	(487)
Trans Hotel bad debt	4	-	-	-	503
Non-recurring rent	5	-	391	-	101
Other	6	-	515	-	117
Total adjustments		**(1,021)**	**85**	**(890)**	**(169)**
Pro-Forma AOT Group		**45,506**	**12,591**	**54,947**	**14,361**

Notes to pro-forma adjustments:

Adjustment 1: Gain as a result of the acquisition of ATS Pacific Pty Ltd from Helloworld Group in October 2013 ($0.664 million) and contingent consideration provision adjustment related to the Pacific Leisure Group Ltd acquisition ($0.2 million).

Adjustment 2: Profit realised from the sale of ASX listed shares.

Adjustment 3: Interest income on related party receivables which are to be extinguished as part of the transaction.

Adjustment 4: Non-recurring bad debt expense relating to an agent (Trans Hotel) in Spain.

Adjustment 5: Excess rental costs incurred relating to office space in Melbourne and Sydney which are no longer leased by the AOT Group.

Adjustment 6: Other adjustments primarily relate to non-recurring legal fees in relation to a GST matter, redundancy costs and reallocation of capitalised IT costs to the appropriate period.

4.3.4 AOT Group Historical Statement of Financial Position

The AOT Group Historical Statement of Financial Position has been extracted from the audited statutory accounts of the AOT Group for the year ended 30 June 2015.

As at 30 June 2015 A$000s	AOT Group Historical Statement of Financial Position
ASSETS	
Current assets	
Cash	29,409
Trade and other receivables	46,095
Available-for-sale financial assets	6,711
Other current assets	164
Total current assets	**82,379**
Non-current assets	

Investments accounted for using the equity method	1,493
Available-for-sale financial assets	480
Property, plant and equipment	4,745
Intangible assets	18,531
Other non-current assets	272
Total non-current assets	**25,521**
TOTAL ASSETS	**107,900**
LIABILITIES	
Current liabilities	
Trade and other payables	58,828
Borrowings	3,000
Provisions	2,711
Income tax payable	1,352
Total current liabilities	**65,891**
Non-current liabilities	
Borrowings	9,542
Deferred tax liabilities	5,699
Provisions	474
Other non-current liabilities	179
Total non-current liabilities	**15,894**
TOTAL LIABILITIES	**81,785**
NET ASSETS	**26,115**
EQUITY	
Share capital	2,950
Reserves	(177)
Retained earnings	21,592
Equity attributable to owners of AOT Group	**24,365**
Non controlling interests	1,750
Total equity	**26,115**

5 Profile of the enlarged Helloworld Group

5.1 OWNERSHIP STRUCTURE

If the Resolutions are passed by Helloworld Shareholders and the Merger Proposal is implemented:

- the AOT Group will become wholly-owned by Helloworld;
- Helloworld will consolidate the Helloworld Shares on a six to one basis; and
- 36,450,001 Helloworld Shares (post-Share Consolidation) will be issued to the AOT Vendors, which will increase their collective interest in Helloworld Shares to 40% of the Helloworld Shares on issue immediately after implementation of the Merger Proposal, and they will also receive the Cash Consideration.

The table below shows how shareholdings in Helloworld will be affected by implementation of the Merger Proposal.

Shareholder(s)	Current		Post Share Consolidation		Post Merger	
	Number of Helloworld Shares	% of total	Number of Helloworld Shares[7]	% of total	Number of Helloworld Shares	% of total
QH Tours and Associates	127,340,726	28.9	21,223,454	28.9	21,223,454	19.3
Europe Voyager NV	102,568,377	23.3	17,094,730	23.3	17,094,730	15.6
Sintack Pty Ltd and Associates	88,013,982	20.0	14,668,997	20.0	14,668,997	13.4
AOT Vendors	44,980,629	10.2	7,496,772	10.2	43,946,773	40.0
UBS Australia Holdings Limited	30,632,738	7.0	5,105,456	7.0	5,105,456	4.6
Other Helloworld Shareholders	46,793,746	10.6	7,798,958	10.6	7,798,958	7.1
Total	**440,330,198**	**100.0**	**73,388,367**	**100.0**	**109,838,368**	**100.0**

The Helloworld Shares to be issued to and held by the AOT Vendors on Completion will be subject to escrow restrictions until the second anniversary of the Completion Date, subject to certain exceptions, as summarised in section 6.2.

5.2 BUSINESS STRUCTURE

Following implementation of the Merger Proposal, the Helloworld and the AOT Group businesses will be combined under a common ownership structure, creating one of the leading integrated travel companies in Australia. The enlarged Helloworld Group will operate in a number of segments, including retail, corporate, wholesale and inbound in Australian and international markets.

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[7] The numbers shown in this column are approximate as the number of Helloworld Shares on issue post-Share Consolidation is subject to rounding. Furthermore, this column assumes that the various shareholders listed in the table continue to hold the same number of Helloworld Shares on Completion as they hold at the date of this Explanatory Memorandum.

The enlarged Helloworld Group will have a range of IT relationships and requirements across its key business segments. Currently, Helloworld is pursuing long term opportunities in relation to retail point of sale functionality and related technologies. This may result in the creation of a new supplier relationship in respect of IT for the retail segment of Helloworld and the enlarged Helloworld Group.

5.3 HELLOWORLD BOARD

If the Merger Proposal is implemented, the Helloworld Board will be reconstituted to comprise immediately after Completion the following persons:

- Rob Marcolina (Acting Chairman);
- Andrew Burnes (Managing Director and CEO);
- Cinzia Burnes (Executive Director);
- Peter Spathis (Non-executive Director); and
- Andrew Cummins (Non-executive Director).

The Helloworld Board will also appoint an independent Chairman and independent non-executive director as soon as practicable after Completion. Helloworld intends that the independent Chairman will chair the Remuneration and Nominations Committee, and the independent non-executive director will chair the Audit Committee. Pending the appointment of the independent Chairman, Rob Marcolina will remain as acting Chairman.

The Helloworld Board has commenced a search for the two independent non-executive director roles noted above. Helloworld will inform its shareholders and ASX of the identity of these directors once it is known.

The biographies of the reconstituted Helloworld Board are below.

- **Rob Marcolina (Acting Chairman)**

Rob Marcolina was appointed to the Helloworld Board on 18 September 2015 and was appointed as acting Chairman on 20 November 2015. Mr Marcolina is Group Executive – Strategy, Transformation and IT with Qantas and has responsibility for driving the overall strategy of the Qantas Group and the transformation program. Mr Marcolina also has day-to-day responsibility for Qantas' IT systems, including innovation and their ongoing efficiency and effectiveness. He is a member of Qantas' Group Management Committee.

Prior to joining Qantas, Mr Marcolina was a Partner of Bain & Company in Los Angeles and Sydney working across multiple industries and latterly developed a focus on media, technology and telecom businesses.

Mr Marcolina has a Bachelor of Commerce (Economics) from the University of Melbourne and a Master of Business Administration from the Kellogg School of Management at Northwestern University in the USA.

Mr Marcolina is also Chairman of Basketball Australia.

- **Peter Spathis (Non-executive Director)**

Peter Spathis was re-appointed to the Helloworld Board on 18 May 2015 and is a Member of the Audit Committee. Previously, he served on the Board from June 2002 to November 2012. Mr Spathis is an accountant and registered tax agent. Currently a corporate executive with the Consolidated Travel group of companies, he has responsibility for the financial management of that group. Having begun his career in the audit and taxation fields in private practice, he has developed a special interest in the travel industry where he has held a number of senior financial positions since 1990. With over 25 years' experience in finance and accounting, he has accumulated significant and valuable experience in the commercial aspects of the travel industry.

Mr Spathis is a Fellow of CPA Australia, holds a Bachelor of Business from the Royal Melbourne Institute of Technology and completed a graduate diploma in Public Accounting (Taxation) at the Phillips Institute of Technology.

- **Andrew Cummins (Non-executive Director)**

Andrew Cummins was appointed to the Board on 30 September 2010 and is Chairman of the Remuneration and Nominations Committee. Mr Cummins was formerly Chairman, CVC Capital Partners Pan Asian Team, and a director of several CVC portfolio companies. Mr Cummins worked as a consultant with CVC Capital Partners in 1998 and 1999, and joined the partnership of CVC Asia Pacific Hong Kong when it was formed in 2000. He retired from CVC in February this year. Prior to working with CVC, Mr Cummins was a director of Inchcape Plc in the UK, and an executive director of Fosters Brewing Group/Elders IXL, and a partner of McKinsey & Company.

Mr Cummins is currently a director of the hotel company Mantra Group Limited in Australia and a director of a number of private investment holding companies. He was Chairman of Stella Travel Services UK Limited from 2008 to 2014, a director of Nine Entertainment Company Pty Ltd from 2008 to 2013, RCTI Inc from 1998 to 2013, I-Med Holdings from 2006 to 2011, Pacific Brands Ltd from 2004 to 2009, and Inchcape Plc from 1992 to 1997.

Mr Cummins has a Bachelor's degree in Engineering from Monash University, Australia, a Graduate Business Degree from the University of Newcastle, Australia, and a MBA from Stanford University in the USA.

- **Andrew Burnes (Managing Director and CEO)**

Andrew Burnes founded AOT in 1987 and is CEO of The AOT Group Ltd (**AOT**). Andrew was National Chairman of ATEC from 1999 to 2003 and was appointed a Director of Tourism Australia in July 2004 and Deputy Chairman in 2006, a position he held for four years. He also chaired the Audit and Finance Committee of Tourism Australia during that period and was a Trustee of the Travel Compensation Fund from 2005 to 2008. In 2010 Andrew was appointed a Director of the Humpty Dumpty Foundation, a Sydney based children's charity, a position he held for 3 years.

In May 2009 Andrew was elected the State Treasurer of the Victorian Liberal Party, a position he held until 2011 and in July 2015 he was appointed Honorary Federal Treasurer of the Liberal Party. AOT supports various charities including Humpty Dumpty and the School of St Jude in Tanzania.

Andrew holds degrees in Law and Commerce from the University of Melbourne and is admitted to practice as a Barrister & Solicitor in Victoria.

- **Cinzia Burnes (Executive Director)**

Cinzia Burnes is COO and shareholder of the AOT Group. From 1991 to 1998 Cinzia was General Manager of The Australian Outback Travel Company, which became the AOT Group. Cinzia was appointed as a Director to the Australian Tourist Commission Board (**ATC**) in August 2000 and served on the Board until June 2004. Cinzia also served as a Board member of Health Services Australia (**H.S.A.**) from 2006 up until 30 April 2008 and in August 2013 Cinzia was appointed to the Board of Tourism Victoria.

Cinzia has over 30 years in the travel industry having graduated in Tourism & Commerce at the Metastasio Institute of Commerce, Rome in 1982, before joining the Italy Australia Association and heading the travel department. She has held senior positions for travel organisations in Italy and Australia and has undertaken further executive education at the Mt Eliza Executive Education Melbourne Business School.

5.4 MANAGEMENT

If the Merger Proposal is implemented, Andrew Burnes will be appointed as the CEO of Helloworld and Cinzia Burnes will be appointed an Executive Director of Helloworld. Jenny Macdonald will continue in the role of CFO during the initial transition period associated with the Merger Proposal.

Andrew Burnes, Chief Executive Officer and Managing Director

A profile of Andrew Burnes is set out in section 5.3.

The terms of Mr Burnes' employment as Chief Executive Officer are set out in an employment contract to be entered into by Mr Burnes and Helloworld on the Completion Date. In addition to the usual terms applicable to an employee at this level, Mr Burnes' contract includes the following:

- Mr Burnes will be entitled to a remuneration package of $475,000 per annum including superannuation;
- either party can terminate on six months' notice or with a payment in lieu of notice; and
- upon termination of his employment, Mr Burnes will be subject to 12 month restraint preventing solicitation of customers, suppliers and employees. In addition, Helloworld may elect to impose a non-compete restraint for up to 6 months. If it does so, Mr Burnes will receive a payment from Helloworld for the period of restraint.

Jenny Macdonald, Chief Financial Officer

Jenny Macdonald joined Helloworld on 18 August 2014 as Chief Financial Officer. Previously and most recently, she was Chief Financial Officer & General Manager, International at REA Group (ASX: REA), a global online real estate advertising company.

Ms Macdonald's previous roles include General Manager at FCm Travel Solutions in New Zealand, Chief Financial Officer at Flight Centre in New Zealand, and General Manager at Flight Centre Retail Finance in Australia.

As noted above, Ms Macdonald will continue in the role of CFO during the initial transition period associated with the Merger Proposal.

Cinzia Burnes, Executive Director

A profile of Cinzia Burnes is set out in section 5.3.

5.5 ENLARGED HELLOWORLD GROUP PRO-FORMA FINANCIAL INFORMATION

5.5.1 Overview

This section 5.5 contains a summary of the Enlarged Helloworld Group Pro-Forma Financial Information, which is comprised of the following:

- the Enlarged Helloworld Group Pro-Forma Historical Income Statement for the year ended 30 June 2015, as set out in section 5.5.3;
- the Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position for the year ended 30 June 2015, as set out in section 5.5.4.

The Helloworld Directors and the AOT Directors are jointly responsible for the preparation and presentation of the Enlarged Helloworld Group Pro-Forma Financial Information.

The information in this section should also be read in conjunction with the risk factors set out in section 5.6 and other information contained in this Explanatory Memorandum.

All amounts disclosed in the tables are presented in A$ and, unless otherwise noted, are rounded to the nearest thousand dollars.

5.5.2 Basis of preparation and presentation of the Enlarged Helloworld Group Pro-Forma Financial Information

The Enlarged Helloworld Group Pro-Forma Financial Information has been prepared and presented in accordance with the measurement and recognition principles of Australian Accounting Standards (**AAS**), although it is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Enlarged Helloworld Group Pro-Forma Financial Information has been prepared based on:

- the AOT Group Financial Information, specifically the AOT Group Pro-Forma Historical Income Statement and the AOT Group Historical Statement of Financial Position (refer to sections 4.3.3 and 4.3.4 respectively);
- the Helloworld Group Financial Information, specifically the Helloworld Group Pro-Forma Historical Income Statement and the Helloworld Group Historical Statement of Financial Position (refer to sections 7.1.3 and 7.1.4 respectively); and
- certain pro-forma adjustments applied to the combination of the AOT Group Financial Information and the Helloworld Group Financial Information to:
  - reflect the alignment of AOT Group's accounting policies with those of the Helloworld Group, as Helloworld Group is the deemed acquirer for accounting purposes;
  - eliminate the effects of intercompany transactions between the AOT Group and the Helloworld Group; and
  - present the pro forma acquisition accounting impact of implementing the Merger Proposal on the Enlarged Helloworld Group Pro-Forma Historical Balance Sheet including the pro forma impact of the Helloworld shares issued to the AOT Vendors, payment to the AOT Vendors (after adjusting the Cash Consideration for the acquisition of the AOT Group on a cash free, debt free basis) and payment of the Helloworld estimated transaction costs to be funded from the Helloworld Group Westpac financing facility and to reflect the significant transactions that have occurred or will occur prior to Completion related to the AOT Group.

The Enlarged Helloworld Group Pro-Forma Financial Information has been presented as if the Merger Proposal had been implemented on 1 July 2014. Accordingly, the Enlarged Helloworld Group Pro-Forma Historical Income Statement reflects the full year impact of the implementation of the Merger Proposal to provide Helloworld Shareholders with an illustration of the potential full year earnings profile of the enlarged Helloworld Group.

Helloworld is the legal parent in respect of the Merger Proposal and will issue Helloworld Shares to effect the business combination with the AOT Group. However, in accordance with accounting standards, all relevant facts and circumstances must be considered to determine which entity has obtained control in the transaction and is therefore deemed to be the accounting acquirer. Having regard to the guidance set out in AASB 3, the AOT Directors and the Helloworld Directors are of the opinion that the Helloworld Group is the accounting acquirer. This conclusion is based on an assessment of all relevant facts and circumstances and, in particular, the existing Helloworld shareholders will retain 60% of the voting interests in the enlarged Helloworld Group with the AOT Vendors having a 40% shareholding (restricted to 30% voting rights in relation to any Helloworld Board composition resolutions) and there will be three other shareholders with significant voting interests following implementation of the Merger Proposal. Also the Helloworld Board will be comprised of seven members, three of whom are existing members of the Helloworld Board, two of whom are independent and two of whom are representatives of the AOT Vendors.

The Enlarged Helloworld Group Pro-Forma Financial Information has been prepared on the basis that the Helloworld Group is deemed to be the accounting acquirer and acquisition accounting has been applied. For the purposes of the Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position, the accounting impact of this is that the net asset value of the AOT Group (reflecting the assets and liabilities deemed to be acquired by the Helloworld Group) is restated at fair value, while the assets and liabilities of the Helloworld Group are maintained at their historical book value.

The Enlarged Helloworld Group Pro-Forma Historical Income Statement has been presented before interest expense, and income tax, depreciation, amortisation and impairment expenses. Following the Merger Proposal being implemented, the enlarged Helloworld Group will be required to restate the assets and liabilities of the AOT Group (as the deemed acquired entity for accounting purposes) to fair value, and this could have a material impact on depreciation and amortisation. Further, the funding structure may vary following the implementation of the Merger Proposal which could have a material impact on interest expense. Accordingly, the historical interest expense and income tax, depreciation, amortisation and impairment expenses may not be a meaningful representation of the future earnings profile of the enlarged Helloworld Group.

Consistent with the AOT Group Financial Information and the Helloworld Group Financial Information, EBITDA and EBITDAI included in this Explanatory Memorandum for the enlarged Helloworld Group may be considered non-IFRS financial information. EBITDAI and EBITDA are key financial performance measures used by the Helloworld Group and the AOT Group for its internal management reporting as the Helloworld Group and the AOT Group believe they appropriately reflect what they consider to be their underlying performance. EBITDAI and EBITDA are not statutory financial measures and are not presented in accordance with Australian Accounting Standards.

For the purposes of the Enlarged Helloworld Group Pro-Forma Historical Income Statement, interest income on client cash is included in total revenue due to the operational nature of this income.

The Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position reflects the difference between the purchase price paid and the net assets acquired as an increase in intangibles and goodwill. No fair value adjustments to net assets acquired, other than intangibles and goodwill, have been assumed. The fair value acquisition accounting adjustment is preliminary only and is subject to change once the accounting for the acquisition of the businesses has been finalised. The acquisition accounting is expected to be finalised within 12 months of the implementation of the Merger Proposal as allowed under Australian Accounting Standards.

5.5.3 Enlarged Helloworld Group Pro-Forma Historical Income Statements

The table below summarises the Enlarged Helloworld Group Pro-Forma Historical Income Statements for the year ended 30 June 2015. The Enlarged Helloworld Group Pro-Forma Historical Income Statement is shown for illustrative purposes to demonstrate the potential full year earnings profile of the enlarged Helloworld Group as if the Merger Proposal had been implemented on 1 July 2014.

Year ended 30 June 2015 A$000s	**Helloworld Group Pro-Forma Historical Income Statement**	**AOT Group Pro-Forma Historical Income Statement**	**1) Inter-company elimination pro-forma adjustments**	**Enlarged Helloworld Group Pro-Forma Historical Income Statement**
TTV[1]	**4,696,169**	**368,535**	**(43,734)**	**5,020,970**
Revenue	274,861	54,321	-	329,182
Interest income on client cash	3,926	626	-	4,552
Total revenue[2]	**278,787**	**54,947**	**-**	**333,734**
Expenses	(251,933)	(40,752)	-	(292,685)
Share of results from equity accounted investments[3]	165	166	-	331

EBITDAI[(2)]	**27,019**	**14,361**	**-**	**41,380**

Notes:

1. TTV does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold (exclusive of GST) across the enlarged Helloworld Group's various operations including when the enlarged Helloworld Group acts as agent for various airlines and other service providers, plus revenue from other sources. The enlarged Helloworld Group revenue is therefore derived from TTV. TTV does not represent the enlarged Helloworld Group's cash flows as some transactions are settled directly between the customer and supplier.
2. For the purposes of the pro forma revenue and EBITDA, interest income on client cash is included due to the operational nature of this income. EBITDAI is presented before interest expense and income tax, depreciation, amortisation and impairment expenses (although there have been no impairment charges in respect of the AOT Group during the periods presented).
3. Share of results from equity accounted investments relates to profits from AOT Group's investment in Down Under Answers (in which AOT Group has a 33% ownership interest) and the Helloworld Group's investment in Harvey World Travel Southern Africa (Pty) Limited (Helloworld Group has a 50% ownership interest), Tour Managers (Fiji) Limited (Helloworld Group has a 33% ownership interest) and Harvey World Travel Strategy Group Ltd (Helloworld Group has a 50% ownership interest). The investment in Harvey World Travel Southern Africa (Pty) Limited was disposed of on 10 July 2015.

Notes to pro-forma adjustments:

Adjustment 1: This adjustment eliminates intercompany transactions between the AOT Group and the Helloworld Group. These transactions comprise TTV sales made to the Helloworld Group by the AOT Group. This adjustment has no impact on EBITDAI.

5.5.4 Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position

The table below summarises the Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position as at 30 June 2015 as if the Merger Proposal had been implemented by that date.

As at 30 June 2015 A$000s	Helloworld Group Historical Statement of Financial Position	AOT Group Historical Statement of Financial Position	1) Accounting policy alignment	2) Inter-company eliminations	3) Acquisition accounting	Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position
ASSETS						
Current assets						
Cash[(1)]	176,141	29,409	-	-	1,580	207,130
Trade and other receivables	104,869	46,095	-	(406)	(23,985)	126,573
Available-for-sale financial assets	-	6,711	-	-	(6,711)	-
Other current assets	2,025	164	-	-	-	2,189
Total current assets	**283,035**	**82,379**	**-**	**(406)**	**(29,116)**	**335,892**
Non-current assets						
Investments accounted for using the equity method	460	1,493	-	-	-	1,953
Available-for-sale financial assets	-	480	-	-	-	480
Property, plant and equipment	16,916	4,745	-	-	-	21,661
Intangible assets	161,404	18,531	-	-	102,552	282,487

Other non-current assets	9,281	272	-	-	-	9,553
Total non-current assets	**188,061**	**25,251**	**-**	**-**	**102,552**	**316,134**
TOTAL ASSETS	**471,096**	**107,900**	**-**	**(406)**	**73,436**	**652,026**
LIABILITIES						
Current liabilities						
Trade and other payables	183,609	58,828	(18,127)	(406)	-	223,904
Borrowings	-	3,000	-	-	(3,000)	-
Provisions	13,052	2,711	-	-	-	15,763
Deferred revenue	69,294	-	18,127	-	-	87,421
Income tax payable	-	1,352	-	-	-	1,352
Other current liabilities	36	-	-	-	-	36
Total current liabilities	**265,991**	**65,891**	**-**	**(406)**	**(3,000)**	**328,476**
Non-current liabilities						
Borrowings	23,245	9,542	-	-	13,633	46,420
Deferred tax liabilities	295	5,699	-	-	-	5,994
Provisions	1,430	474	-	-	-	1,904
Other non-current liabilities	2,659	179	-	-	-	2,838
Total non-current liabilities	**27,629**	**15,894**	**-**	**-**	**13,633**	**57,156**
TOTAL LIABILITIES	**293,620**	**81,785**	**-**	**(406)**	**10,633**	**385,632**
NET ASSETS	**177,476**	**26,115**	**-**	**-**	**62,803**	**266,394**
EQUITY						
Share capital	278,755	2,950	-	-	86,717	368,422
Reserves	161,636	(177)	-	-	177	161,636
Retained earnings	(263,014)	21,592	-	-	(24,091)	(265,513)
Equity attributable to owners of enlarged Helloworld Group	**177,377**	**24,365**	**-**	**-**	**62,803**	**264,544**

Non controlling interests	99	1,750	-	-	-	1,849
Total equity	**177,476**	**26,115**	**-**	**-**	**62,803**	**266,394**

Notes:

1. In the Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position, the cash amount of $207.1 million includes client cash of $178.7 million. This is comprised of the AOT Group client cash of $29.9 million and the Helloworld Group client cash of $148.8 million.

Notes to pro-forma adjustments:

Adjustment 1: This adjustment restates AOT Group's statement of financial position classification of deferred revenue to be consistent with the Helloworld Group's accounting policy. This adjustment has no impact on net assets.

Adjustment 2: This adjustment eliminates intercompany balances between the AOT Group and the Helloworld Group.

Adjustment 3: This adjustment represents the pro-forma acquisition accounting impact on the Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position, based on the purchase price deemed to be paid by the Helloworld Group for the net assets of the AOT Group. This adjustment also includes the significant transactions that have occurred or will occur prior to Completion related to the AOT Group, payment of the Helloworld Group estimated transaction costs and the payment to the AOT Vendors for the acquisition of the AOT Group. The Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position reflects the following acquisition accounting adjustments:

- the AOT Group owns listed shares of $6.7 million as at 30 June 2015 which are to be sold or transferred out of the AOT Group prior to Completion. AOT Group sold listed shares in September 2015 with a net book value of $1.6 million as at 30 June 2015 with the proceeds received in cash. The remaining $5.1 million of listed shares as at 30 June 2015 will transfer out of the AOT Group resulting in a subsequent increase in related party receivables. Following the transfer of the listed shares, the AOT Group has related party receivables of $29.1 million as at 30 June 2015 which are to be extinguished prior to Completion;

- Helloworld Group estimated transaction costs of $2.5 million and an $8.1 million payment to the AOT vendors (after adjusting the Cash Consideration to reflect the acquisition of the AOT Group on a cash free, debt free basis) to be funded from the Helloworld Westpac facility on Completion. The AOT Group's borrowings of $12.0 million with NAB are assumed to be repaid with funds from the Helloworld Group Westpac facility resulting in a $3.0 million reclassification of current borrowings to non-current borrowings;

- an increase in intangible assets of $102.6 million;

- a decrease in retained earnings of $24.1 million to reflect the elimination of the AOT Group's pre-acquisition retained earnings of $21.6 million and Helloworld Group's estimated transaction costs of $2.5 million;

- an increase in reserves of $0.2 million to reflect the elimination of the AOT Group's pre-acquisition reserve relating to available-for-sale financial assets reserve and foreign currency translation reserve; and

- an increase in issued share capital of $86.7 million to reflect the shares issued by the Helloworld Group offset by the elimination of the AOT Group issued share capital.

For the purposes of the Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position the cost of acquisition is assumed to be $97.8 million, which includes an indicative value of the Helloworld shares issued to the AOT Vendors of $89.7 million based on the share price of Helloworld of $0.41 at the close of trade on 27 November 2015 multiplied by 218,700,000 Helloworld shares (equivalent to 36,450,001 Helloworld shares post-Share Consolidation) and the cash payment of $8.1m deemed to be paid to the AOT Vendors (after adjusting the Cash Consideration for the acquisition of the AOT Group on a cash free, debt free basis). The difference between the cost of acquisition (including the amount of non-controlling interests in the AOT Group) and the book value of the AOT Group's net assets (after adjusting for the extinguishment of the related party receivables), for the purposes of the Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position, is allocated to intangible assets. On Completion a detailed valuation of the identifiable assets, liabilities and contingent liabilities of the AOT Group will be undertaken to ascertain the allocation of this difference.

Further, following Completion, the tax carrying values of the AOT Group's assets will be required to be reset, which will result in a corresponding adjustment to the deferred tax balances in the enlarged Helloworld Group balance sheet.

Due to the above, the actual impact of acquisition accounting may vary from that disclosed in the Enlarged Helloworld Group Historical Pro-Forma Historical Statement of Financial Position.

5.5.5 Forecast financial information

Helloworld has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information in respect of the Enlarged Helloworld Group. The Helloworld Board have concluded that, as at the date of this Explanatory Memorandum, a reasonable basis does not exist for providing forecasts for the Enlarged Helloworld Group that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice, and that the inclusion of such forecasts could be potentially misleading. This is because, as noted in section 7.1.5, Helloworld cannot prepare forecasts which would be sufficiently reliable as to be relevant to shareholders and accordingly forecasts for the Enlarged Helloworld Group cannot be prepared with sufficient reliability to be relevant to shareholders.

5.6 RISK FACTORS

If the Merger Proposal is implemented, Helloworld Shareholders will, through their interest in the enlarged Helloworld Group, be exposed to the risks associated with having an interest in the current Helloworld Group's assets and the AOT Group's assets as well as general economic, share market and industry risks. The financial performance and operations of the enlarged Helloworld Group, the value of Helloworld Shares and the amount and timing of any dividends that Helloworld pays will also be influenced by a range of factors, many of which will be outside the control of Helloworld.

Helloworld Shareholders should be aware that many of the risks described below already apply to Helloworld's existing business and to the AOT Group business. Some of these risks may be mitigated by the use of safeguards and appropriate systems and controls. However, many will be outside the control of the enlarged Helloworld Group and the Helloworld Board and cannot be mitigated. There are also general risks associated with any investment in securities.

The principal risk factors which Helloworld Shareholders should consider include those described below. The risks identified in this section are not exhaustive. You should read this Explanatory Memorandum carefully. If you are unclear in relation to any matter, you should consult your financial or other professional adviser.

5.6.1 General risks

Changes in economic conditions

The financial performance of the enlarged Helloworld Group could be affected by changes in economic conditions both within and outside Australia including in respect of economic growth, unemployment levels and consumer confidence, underlying cost structures for labour, technology and service charges, inflation and interest rates, and exchange rates.

General market risks

Generally, the market price of Helloworld Shares will be affected by factors that impact on the market price of all ASX listed shares (such as economic policy, international market, economic or political conditions and changes in investor sentiment relating to domestic and international stock markets). The market price of Helloworld Shares may rise or fall over any given period as a result of one or a combination of these factors over which Helloworld and the Helloworld Board have no control.

Changes in regulatory and legal environment

The enlarged Helloworld Group will be subject to, and must comply with, changes in the regulatory conditions under which it operates, including the requirements of the Corporations Act, ASIC policy and the Listing Rules. Changes to legislation or policy and procedures may affect the enlarged Helloworld Group, its business operations and financial performance, or have other unforeseen implications.

5.6.2 Specific risks associated with Helloworld and the enlarged Helloworld Group

Demand risk

The operations and profits of the enlarged Helloworld Group may be affected by fluctuating levels of demand for the travel services offered by the enlarged Helloworld Group. Travel demand is always sensitive relative to disposable consumer income, which in turn is influenced by many variables including changes in interest rates and mortgage repayments, levels of unemployment, the fundamental price of travel in its own right (including any impact that arises from increases in the cost of oil or changes in foreign exchange rates), bowser petrol price shocks, consumer confidence and the buoyancy of the stock market. Travel demand can also be affected by certain events that can affect travellers' preparedness to travel, including pandemics, terrorism incidents, natural disasters, civil unrest and wars.

Commercial and operational risks

The enlarged Helloworld Group will be subject to general commercial and operational risks, including the loss or bankruptcy of major clients or major suppliers, increased competition and other causes of business interruption, which may have a material adverse impact on the enlarged Helloworld Group in the future. Members of the Helloworld retail franchise network could leave the network as a result of implementation of the Merger Proposal. In addition, the competitive landscape faced by the enlarged Helloworld Group will change and the merger benefits could be eroded in the long term through competition. These events could materially adversely affect the enlarged Helloworld Group's future financial performance.

Client relationships

AOT and Helloworld have key commercial contracts, including with the Federal Government. Contracts have specified service level agreements under which AOT and Helloworld provide specified travel related services. If AOT or Helloworld do not satisfy their obligations under these agreements, this may lead to termination of the contract. Further, some contracts with customers may have expired and are operating on a rollover basis.

Significant clients may choose to terminate their agreements, fail to renew their agreements for further terms or become financially distressed or insolvent. Helloworld's or AOT's financial performance would be adversely affected if key customer contracts were terminated, not renewed or these customers were unable to operate.

Reliance on key personnel

The continued success of the enlarged Helloworld Group will, in part, be reliant on the future performance, abilities and expertise of its senior management team. There is no guarantee that the enlarged Helloworld Group will be able to retain the services of these employees in the future on acceptable terms. In particular, Andrew Burnes and Cinzia Burnes founded and have grown the AOT business and are key executives in AOT. It may be difficult to replace such key personnel, and to do so in a timely manner or at comparable expense.

Increased debt

If the Merger Proposal proceeds, Helloworld will draw down on its existing debt facilities to fund the payment of up to $25 million to the AOT Vendors as consideration under the Merger Proposal. As at 30 June 2015, Helloworld had approximately $23.2 million in non-current, interest bearing liabilities. The proposed draw down would increase that figure to up to $48.2 million, an increase of up to 107%. Notwithstanding this, following the proposed draw down of up to $25 million, the Company will remain well within the key financial covenants provided for under its existing debt facilities. However, the value of Helloworld Shareholders' equity is directly impacted by the quantum of debt held by Helloworld and Helloworld's ability to service that debt.

Foreign exchange risk

The enlarged Helloworld Group operates in multiple jurisdictions and will source products internationally. As a result, the enlarged Helloworld Group is exposed to fluctuations in foreign exchange rates. For example, within the Wholesale segment, a significant amount of international travel product is sold in local currency and suppliers are paid in foreign currencies. While the enlarged Helloworld Group will engage in foreign currency hedging which may limit its exposure, adverse movements in exchange rates may have a material adverse effect on the future financial performance of the enlarged Helloworld Group.

Industry competition

The enlarged Helloworld Group will face strong competition from both Australian and international travel companies, including online travel companies and from product suppliers and other providers of travel related goods and services. To the extent that there is price discounting or other changes in strategy by existing competitors, or new entrants to the markets in which the enlarged Helloworld Group will operate, the market share of, and the margins earned by, the enlarged Helloworld Group (and therefore its future financial performance) may be adversely affected.

Technology risks

The enlarged Helloworld Group will rely heavily on internet and other technology operating platforms (both internal and external) that may be susceptible to technical problems and viruses. Although the enlarged Helloworld Group will have appropriate systems in place to manage the impact of these risks, such occurrences have the potential to interrupt the efficient conduct of the enlarged Helloworld Group’s business.

New technology

The ability of the enlarged Helloworld Group to compete effectively in the future will, in part, be driven by its ability to effectively maintain and update its technology platforms. Failure to maintain appropriate standards of technology may adversely affect the future operating and financial performance of the enlarged Helloworld Group.

Loss of reputation, brand risk

The success of the enlarged Helloworld Group will be affected by its reputation and branding. Unforeseen issues or events that diminish the enlarged Helloworld Group’s reputation or branding may impact on its future growth and profitability.

Litigation and legal risk

In the course of its operations, the enlarged Helloworld Group may be involved in disputes, industrial action and litigation. There is a risk that any material or costly dispute or litigation or industrial action could adversely affect the value of the assets or the future financial performance of the enlarged Helloworld Group as well as its reputation and branding.

Integration risk

The Merger Proposal is being made with the expectation that its successful completion will result in cost savings for the enlarged Helloworld Group. This expectation is based on potential cost savings arising from the Merger Proposal, including administrative systems, IT systems, advertising materials and, in some areas, Helloworld and AOT Group personnel, and enhanced growth opportunities of the enlarged Helloworld Group. These anticipated benefits will depend in part on whether the Helloworld Group's and the AOT Group's operations can be integrated in an efficient and effective manner, and whether the expected bases or sources of cost savings do in fact produce the benefits anticipated. Many operational and strategic decisions with respect to the enlarged

Helloworld Group have not yet been made and may not have been fully identified. These decisions and the integration of the two groups will present challenges to management, including the integration of systems and personnel of the two groups, and special risks, including possible significant one-time write-offs or restructuring charges, unanticipated costs, and the loss of key employees. There can be no assurance that the integration of the two groups’ operations, management and cultures will be timely or effectively accomplished.

Interest rate risk

The enlarged Helloworld Group will be exposed to changes in interest rates as a borrower of money and as a result of interest earned on cash balances for pre-payment of travel products. Increases in interest rates may also affect consumer sentiment and the level of consumer demand, potentially leading to a decrease in consumer spending.

Governance risk

After the Merger Proposal is implemented, the AOT Vendors will be the largest group of shareholders in Helloworld, holding an aggregate of 40% of the Helloworld Shares, and Andrew Burnes will assume the position of Helloworld CEO and Managing Director, while his wife Cinzia Burnes will be appointed an Executive Director of Helloworld. This may result in Andrew Burnes and Cinzia Burnes being able to control the composition of the Helloworld Board which could be regarded as having the potential to impact Helloworld's governance arrangements. Helloworld has sought to address the risk that the AOT Vendors could seek to control the composition of the Helloworld Board during the Escrow Period by requiring the AOT Vendors to undertake not to vote more than 30% of their voting power on any resolution for the election or removal of a person from the Helloworld Board while Andrew Burnes is the CEO and Managing Director of Helloworld, subject to certain exceptions.

The composition of the Helloworld Board after implementation of the Merger Proposal will mean that Helloworld does not comply with Recommendation 2.4 of the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (which recommends that a majority of the Board should be independent directors) or, pending appointment of the Independent Chairman and the Independent Non-Executive Director, Recommendations 2.1 (which recommends that the nomination committee has a majority of independent directors and is chaired by an independent director), 2.5 (which recommends that chair of the Board is an independent director), 4.1 (which recommends that the audit committee has a majority of independent directors and is chaired by an independent director) or 7.1 (which recommends that the risk committee has a majority of independent directors and is chaired by an independent director). In accordance with ASX Listing Rule 4.10, Helloworld will include a corporate governance statement in its 2016 Annual Report detailing how it complies with the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council and, where it does not conform, will disclose that fact and the reasons why. To the extent that Helloworld is included in S&P/ASX 300 Index at the beginning of its financial year, it must comply with Recommendation 4.1 noted above for the whole of that financial year.

Significant shareholders

Following Completion, the enlarged Helloworld Group will have a number of significant shareholders (as outlined in section 2.3).

The sale of Helloworld Shares in the future by any of these significant shareholders could adversely affect the market price of Helloworld Shares.

6 Additional Information

6.1 SUMMARY OF MERGER IMPLEMENTATION AGREEMENT

6.1.1 Sale and purchase

Helloworld agrees to purchase, and the AOT Vendors agree to sell, all of the shares in AOT in consideration for the issue of 36,450,001 Helloworld Shares (after the Share Consolidation) and the payment of the Cash Consideration to the AOT Vendors, which will occur on Completion.

6.1.2 Conditions

Completion must not occur unless Non-associated Helloworld Shareholders pass the Resolutions at the General Meeting by the requisite majorities under the Corporations Act and/or Listing Rules (as the case may be).

Completion is also conditional on other outstanding conditions being fulfilled or waived, including:

- no temporary restraining order, preliminary or permanent injunction or other order or decision being issued or made by any court of competent jurisdiction or any regulatory authority and there is no other legal restraint or prohibition preventing Completion on the Completion Date;
- no Helloworld Material Adverse Change occurs;
- no Helloworld Prescribed Occurrence or AOT Prescribed Occurrence occurs;
- there being no material breach, or facts or circumstances that may reasonably be expected to lead to a material breach before Completion, of any Helloworld Warranties or AOT Warranties provided under the Merger Implementation Agreement;
- any loan from AOT to the AOT Vendors has been repaid in full, forgiven or satisfied by the declaration of a dividend or a combination of these actions; and
- any Helloworld Shares held by any member of the AOT Group are transferred to a third party who is not a member of the AOT Group at Completion.

If a condition has not been satisfied or waived by Completion, the parties must consult in good faith for a prescribed period, and failing agreement the party entitled to the benefit of the relevant condition may terminate the Merger Implementation Agreement without incurring any liability to other parties on account of the termination.

6.1.3 Warranties

Prior to execution of the Merger Implementation Agreement, both AOT and Helloworld were provided with an opportunity to undertake a comprehensive legal, tax and financial due diligence investigation in relation to each other's business and operations. Helloworld engaged external advisers to assist it with these investigations, and carefully considered the various findings of those due diligence investigations before finalising the terms of the Merger Implementation Agreement.

AOT and Helloworld have given reciprocal warranties in relation to title and capacity, their respective group businesses (with AOT warranting that no person will have any pre-emptive right with respect to any of the AOT Group Shares), as at the date of the Merger Implementation Agreement (20 November 2015) and Completion.

The warranties provided under the Merger Implementation Agreement by Helloworld and the AOT Vendors (respectively) are subject to customary qualifications for disclosure, knowledge and reliance. Further, the AOT Vendors have given a warranty to Helloworld in relation to certain tax matters.

Claims made under the Merger Implementation Agreement (including with respect to a breach of warranty) are subject to certain financial thresholds and time limits, with the effect that a claim may not be made by Helloworld or the AOT Vendors, unless:

- the amount of the claim is at least $200,000, and until the aggregate of all claims exceeds $1 million; and
- in respect of all claims (other than with respect to Helloworld's and the AOT Vendors' title and capacity warranties or a tax warranty):
  - the other party has given notice in respect of the claim within 20 months of the Completion Date; and
  - the claim has been settled or legal proceedings have been commenced by the date that is 20 months after the Completion Date.

The maximum liability of Helloworld and the AOT Vendors is also subject to financial limitations. The AOT Vendors' maximum aggregate liability for loss or damage of any kind not excluded under the Merger Implementation Agreement, however caused, is limited:

- in respect of any breach of its title and capacity warranties, to 100% of the consideration actually received by the AOT Vendors from Helloworld under the Merger Implementation Agreement; and
- in respect of any breach or indemnity claim other than in relation to a title and capacity warranty, to:
  - 50% of the consideration actually received by the AOT Vendors from Helloworld under the Merger Implementation Agreement; less
  - any amount previously recovered from Helloworld by the AOT Vendors for loss or damage of any kind relating in any way to the Merger Implementation Agreement or its subject matter.

Helloworld's maximum aggregate liability to the AOT Vendors for loss or damage of any kind not excluded under the Merger Implementation Agreement, however caused, is limited to 50% of the consideration actually received by the Vendors from Helloworld under the Merger Implementation Agreement. Further, the maximum aggregate amount which Helloworld is required to pay in relation to a breach of the Merger Implementation Agreement is the Helloworld Break Fee (described in section 6.1.5), which is only payable once.

6.1.4 Exclusivity arrangements

Helloworld represents and warrants that, as at the date of the Merger Implementation Agreement, neither itself nor its Related Entities or any of their respective representatives:

- is a party to an agreement with any third party entered into for the purpose of facilitating an Alternative Proposal by that third party;
- is participating in any discussions or negotiations with a third party that concern, or that could reasonably be expected to lead to, an Alternative Proposal; and
- no third party has access to any data rooms established by Helloworld in connection with an Alternative Proposal.

Until the Completion Date, Helloworld must ensure that neither itself, its Related Entities not any of their respective representatives, directly or indirectly:

- solicits, invites, initiates or encourages any Alternative Proposal or any enquiries, negotiations or discussions with any third party in relation to, or that could reasonably be expected to lead to, an Alternative Proposal or communicates any intention to do any of these things;

- subject to the Fiduciary Out (described below), negotiates or enters into discussions, or communicates any intention to do any of these things, which may reasonably be expected to lead to an Alternative Proposal or the Merger Proposal not proceeding;

- solicits, invites, initiates or encourages or, subject to the Fiduciary Out, facilitates or permits any party other than the AOT Vendors to undertake due diligence investigations on Helloworld; or

- subject to the Fiduciary Out, makes available to any other person or permits any other person to receive any non-public information relating to Helloworld, its Related Entities, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, an Alternative Proposal.

Until the Completion Date, Helloworld must promptly notify the AOT Vendors in writing of the fact of:

- any approach, inquiry or proposal to initiate or continue any negotiation or discussions with respect to, or that could reasonably be expected to lead to, any Alternative Proposal;

- any request made for information relating to Helloworld or any of its Related Entities or any of their businesses or operations or any request for access to the books or records of Helloworld or any of its Related Entities, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, an Alternative Proposal;

- any intention by Helloworld, any of its Related Entities, or any of their respective representatives to provide any information relating to Helloworld or any of its Related Entities or any of their businesses or operations to any person in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, an Alternative Proposal in reliance on the Fiduciary Out; or

- any action by Helloworld, any of its Related Entities, or any of their respective representatives, or any intention of Helloworld, any of its Related Entities, or any of their respective representatives to take any action, in reliance on the Fiduciary Out.

Helloworld has a 'Fiduciary Out' in respect of some of its obligations, such that those obligations do not apply to the extent they restrict Helloworld or the Helloworld Board from taking or refusing to take any action with respect to an Alternative Proposal provided that:

- the Alternative Proposal is bona fide and is made in writing by or on behalf of a person that the Helloworld Board considers is of reputable commercial standing; and

- the Helloworld Board has determined in good faith after:

    - consultation with Helloworld's financial advisers, that the Alternative Proposal is or may reasonably be expected to lead to a Superior Proposal; and

    - receiving written advice from its external legal adviser practising in the area of corporate law,

  that failing to take the action or refusing to take the action (as the case may be) with respect to the Alternative Proposal would be likely to constitute a breach of the fiduciary or statutory obligations of the Helloworld Board.

If Helloworld receives an Alternative Proposal and as a result, any Helloworld Director proposes to approve, recommend or otherwise recommend or endorse entry into any agreement, commitment, arrangement or understanding relating to the Alternative Proposal, then Helloworld must give the AOT Vendors written notice including full details of the Alternative Proposal and the grounds on which the Helloworld Director proposes to take such action.

The AOT Vendors then have the right (but not the obligation) to make a Counter Proposal within three days of receiving that notice. If the AOT Vendors make a Counter Proposal that is no less favourable than the Alternative Proposal, then Helloworld and the AOT Vendors will use their best endeavours to agree the changes required to the Merger Implementation Agreement to give effect to the Counter Proposal.

If the AOT Vendors do not make a Counter Proposal, or make one that the Helloworld Directors in good faith determine is less favourable than the Alternative Proposal, then the Directors can decide to proceed with the Alternative Proposal, but in that case the Break Fee may be payable.

6.1.5 Break fee

Helloworld has agreed to pay the AOT Vendors the Helloworld Break Fee, being $500,000, as a genuine and reasonable pre-estimate of the costs suffered by the AOT Vendors, if the Merger Proposal does not proceed due to:

- Helloworld being in breach of any material clause of the Merger Implementation Agreement;
- a majority of the Helloworld Directors recommending against the Merger Proposal; or
- a majority of Helloworld Directors recommending an Alternative Proposal.

6.1.6 Termination of the Merger Implementation Agreement

The Merger Implementation Agreement may be terminated by any party by notice in writing to the other parties:

- where there has been a breach or non-fulfillment of a Condition and, after consulting in good faith, the parties have been unable to reach an agreement:
  - Helloworld may, provided the Condition is for the benefit of Helloworld, terminate the Merger Implementation Agreement without incurring any liability to the AOT Vendors because of that termination; or
  - the AOT Vendors may, provided the Condition is for the benefit of the AOT Vendors, terminate the Merger Implementation Agreement without incurring any liability to the AOT Vendors because of that termination;
- if an Insolvency Event occurs in relation to another party;
- if the Helloworld Break Fee is paid; or
- if Completion has not occurred by 5:00pm on 31 March 2016.

Helloworld may terminate the Merger Implementation Agreement by notice in writing to the other parties if:

- the Independent Expert provides a report to Helloworld that fails to conclude that the Merger Proposal is fair and reasonable to, or in the best interests of, the Non-associated Helloworld Shareholders; or
- the Helloworld Board recommends a Superior Proposal.

6.2 SUMMARY OF THE VOLUNTARY ESCROW DEEDS

As part of the Merger Proposal, Helloworld has agreed to enter into Voluntary Escrow Deeds with each of the AOT Vendors in relation to the Helloworld Shares that these parties hold, or will hold, following Completion. These escrow arrangements are described below.

Under the Voluntary Escrow Deeds, each of the AOT Vendors and Affiliates undertake in favour of Helloworld:

- not to dispose of or create an Encumbrance over their Helloworld Shares, or agree or offer to do those things, except an Encumbrance in favour of one or more Independent Financiers[8];
- do, or omit to do, any act that has the effect of transferring effective ownership or control of their Helloworld Shares; or
- exercise the voting rights attached to the Helloworld Shares to vote on any resolution in connection with the deed,

until the second anniversary of the Completion Date, except that Helloworld Shares may be disposed of:

- pursuant to an offer made under a takeover bid for 100% of the share capital of Helloworld, which has been accepted by holders of at least 50% of the Helloworld Shares then on issue and not subject to escrow, provided that the offer is not made by the relevant AOT Vendor or any of its Affiliates;
- pursuant to a merger by way of scheme of arrangement under Part 5.1 of the Corporations Act pursuant to which a person who is not an AOT Vendor or any of its Affiliates will hold 100% of the share capital of Helloworld; or
- if Andrew Burnes is no longer the Chief Executive Officer and Managing Director of Helloworld.

Each of the AOT Vendors also undertakes in favour of Helloworld that at all times it and its Associates will not exercise, control the exercise, or appoint a proxy in respect of a right to vote attached to the Helloworld Shares in which they have a relevant interests up to an aggregate voting power level of 30% of the total number of Helloworld Shares on issue on any resolution that relates to Helloworld Board composition at all times while:

- the AOT Vendors and their Associates collectively have a relevant interest in 30% or more, and less than 50%, of the votes attached to all Helloworld Shares;
- Andrew Burnes remains the Chief Executive Officer and Managing Director of Helloworld; and
- no other person or group of Associates (not being Associates of the AOT Vendors) has a relevant interest in more than 20% of the votes attached to all Helloworld Shares.

6.3 MERGER RESOLUTIONS

6.3.1 RESOLUTION 1 – APPROVAL OF THE SHARE CONSOLIDATION

Helloworld proposes to consolidate its share capital through the conversion of every six Helloworld Shares into one Helloworld Share.

[8] Independent Financier means: (a) a financial institution holding an appropriate Australian financial services licence that engages in, among other things, the provision of financial accommodation to third parties and taking security over financial products in relation to that financial accommodation and that is not an Affiliate of the relevant AOT Vendor; or (b) an Australian bank.

The proposed Share Consolidation will:

- ensure that each Helloworld Shareholder's proportionate interest in Helloworld remains unchanged, subject to rounding of fractional entitlements and the dilutory impact of the issue of Helloworld Shares to the AOT Vendors in connection with the Merger Proposal; and
- reduce the number of Helloworld Shares on issue from approximately 440 million to approximately 73 million (representing an 80% reduction in the number of shares on issue).

Key details for the Share Consolidation, if approved by Helloworld Shareholders, are:

- the Share Consolidation requires Helloworld Shareholder approval by ordinary resolution and is subject to passing of all other Resolutions;
- the Share Consolidation process will commence immediately upon passing of the Resolutions (as described in the Explanatory Memorandum);
- where the Share Consolidation results in a Helloworld Shareholder having an entitlement to a fraction of a share, that fraction will be rounded as set out in the share consolidation Resolution; and
- the Share Consolidation will not materially change the proportionate interest that each Helloworld Shareholder holds in Helloworld. This is because the Share Consolidation ratio applies equally to all shares (subject to rounding). However, the issue of Helloworld Shares to the AOT Vendors in connection with the Merger Proposal will change the proportionate interest of every other shareholder.

Other important dates for Helloworld Shareholders are included in the timetable on page iii.

Please note that, if Helloworld forms the view that a shareholder has been party to a shareholding splitting or division in an attempt to obtain an advantage from the rounding of fractional entitlements, Helloworld will take appropriate action which may include disregarding the splitting or division for the purposes of dealing with fractions.

6.3.2 RESOLUTIONS 2 AND 3 – APPROVAL OF THE ISSUE OF HELLOWORLD SHARES AND VOLUNTARY ESCROW DEED

Approval sought from Helloworld Shareholders

Resolution 2 seeks the approval for the purposes of item 7 of section 611 of the Corporations Act of Helloworld Shareholders to the acquisition by the AOT Vendors, by the allotment and issue by Helloworld, of the Share Consideration comprising 36,450,001 Helloworld Shares post-Share Consolidation, representing 33% of Helloworld's enlarged issued share capital) to the AOT Vendors.

Resolution 3 seeks the approval for the purposes of item 7 of section 611 of the Corporations Act of Helloworld Shareholders to the acquisition by Helloworld of a relevant interest in 43,946,773 Helloworld Shares (or 40% of Helloworld's enlarged issued share capital) under the Voluntary Escrow Deeds.

The Helloworld Directors recommend that, in the absence of a Superior Proposal, Helloworld Shareholders vote in favour of the Resolutions if they wish the Merger Proposal to be implemented.

Overview of legal requirements concerning Resolutions 2 and 3

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares of a listed company if the person acquiring the interest does so through a transaction in relation to the securities entered into by or on behalf of the person and, because of the transaction, that person's or someone else's voting power in the listed company increases:

- from 20% or below to more than 20%; or

- from a starting point that is above 20% and below 90%.

Under section 608(1) of the Corporations Act, a person has a relevant interest in securities if they are the holder of the securities, have power to exercise, or control the exercise of, a right to vote attached to the securities or have power to dispose of, or control the exercise of a power to dispose of, the securities.

A person's voting power in a designated body is defined as all of the votes attaching to voting shares of the designated body in which that person and its Associates have a relevant interest, as a proportion of the total votes attaching to all of the voting shares in the designated body. For the purposes of Chapter 6 of the Corporations Act, a person (the first person) is an Associate of the relevant person if: (i) both persons are Controlled by the same entity; (ii) the first person Controls or is Controlled by the relevant person; (iii) the first person is a person with whom the relevant person has or proposes to enter an agreement, arrangement or understanding for the purpose of controlling or influencing the composition of the designated body's board or the conduct of the designated body's affairs; or (iv) the first person is a person with whom the relevant person is acting or proposing to act in concert in relation to the designated body's affairs.

Section 606(1A) of the Corporations Act provides that a person may acquire a relevant interest under one of the exceptions set out in section 611 of the Corporations Act without contravening section 606(1). Under item 7 of section 611, an acquisition that is approved previously by a resolution passed at a general meeting of the company in which the acquisition is made will be exempt from section 606(1) if no votes are cast in favour of the resolution by the person proposing to make the acquisition and their Associates or the persons (if any) from whom the acquisition is to be made and their Associates.

The Merger Proposal will result in the AOT Vendors' voting power in Helloworld increasing above 20% because the voting power of each of the AOT Vendors and their Associates will increase to 40% of the enlarged issued share capital upon the issue of the Helloworld Shares to them.

Helloworld will have a relevant interest of 40% in its own issued share capital by virtue of its entry into the Voluntary Escrow Deeds with each of the AOT Vendors on Completion. This is because Helloworld will be able to control the disposition of and to an extent the voting rights relating to the Helloworld Escrow Shares under those deeds.

Disclosure under item 7 of section 611 of the Corporations Act

Item 7 of section 611 requires to be provided to Helloworld Shareholders in connection with Resolutions 2 and 3 all information known to the AOT Vendors or known to Helloworld that is material to the decision on how to vote on those Resolutions, including the following information:

(i) The identity of the person proposing to make the acquisitions and their Associates

The Share Consideration will be acquired by the AOT Vendors on Completion. Upon execution of the Voluntary Escrow Deeds, Helloworld will obtain a relevant interest in the Voluntary Escrow Shares.

(ii) The maximum extent of the increase in that person's voting power in the company that would result from the acquisitions

The maximum extent of the increase in each AOT Vendor's voting power in Helloworld that would result from the Merger Proposal would be an increase of 29.8% from their existing voting power of 10.2% to 40% voting power, based on the enlarged issued share capital of Helloworld. Although the Share Consideration is being issued to each AOT Vendor, the AOT Vendors are Associates and therefore each has the same voting power in Helloworld as the other AOT Vendors irrespective of which AOT Vendor is issued Helloworld Shares.

The maximum extent of the increase in Helloworld's voting power in Helloworld that would result from the entry into the Voluntary Escrow Deeds would be an increase of 40% from 0% to 40% based on the enlarged issued share capital of Helloworld.

(iii) The voting power that person would have as a result of the acquisitions

Each AOT Vendor's voting power in Helloworld will be 40% based on the enlarged issued share capital of Helloworld as a result of the Merger Proposal. Although the Share Consideration is being issued to each AOT

Vendor, the AOT Vendors are Associates and therefore each has the same voting power in Helloworld as the other AOT Vendors irrespective of which AOT Vendor is issued Helloworld Shares.

Helloworld's voting power in Helloworld based on the enlarged issued share capital of Helloworld will be 40% as a result of its entry into the Voluntary Escrow Deeds.

iv) The maximum extent of the increase in the voting power of each of that person's Associates that would result from the acquisitions

Same as item (ii) above.

(v) The voting power that each of that person's Associates would have as a result of the acquisitions

Same as item (iii) above.

Additional disclosures under ASIC Regulatory Guide RG74

ASIC Regulatory Guide 74 requires that where an acquisition is put to shareholders for their approval, the following information must be provided to shareholders to enable them to make an informed decision on Resolutions 2 and 3:

(a) An explanation of the reasons for the proposed acquisition

The reasons for the Merger Proposal are described in section 1 of this Explanatory Memorandum.

(b) When the proposed acquisition is to occur

The proposed acquisition of AOT by Helloworld resulting in the issue of the Share Consideration and the entry into the Voluntary Escrow Deeds is currently expected to occur on 1 February 2016, however this date may change.

(c) The material terms of the proposed acquisition

The material terms of the Merger Implementation Agreement are described in section 6.1 of this Explanatory Memorandum.

The material terms of the Voluntary Escrow Deeds are described in section 6.2 of this Explanatory Memorandum.

(d) Details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their Associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition

Each of the AOT Vendors are required to enter into a Voluntary Escrow Deed with Helloworld. The material terms of the Voluntary Escrow Deed are described in section 6.2 of this Explanatory Memorandum.

Andrew Burnes is required to enter into an employment contract in respect of his employment as Chief Executive Officer of Helloworld on or about the Completion Date. The terms of his employment contract are summarised in section 5.4 of this Explanatory Memorandum.

(e) A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition and, in particular, in relation to its intention to change the business of the entity, inject further capital into the entity, the future employment of present employees of the entity or deploy the fixed assets of the entity

The intentions set out in sections 6.3.2(e) and (f) have been formed on the basis of facts and information concerning Helloworld and AOT and the general business environment, which are known to the AOT Vendors as at the date of this Explanatory Memorandum.

Final decisions regarding the matters set out below will only be made following approval by Helloworld Shareholders of the Merger Proposal and after the AOT Vendors gain a better understanding of Helloworld's businesses and having regard to circumstances at the relevant time.

Accordingly, it is important to recognise that the statements set out in sections 6.3.2(e) and (f) are statements of current intentions of the AOT Vendors only, which may change as new information becomes available or circumstances change.

If Helloworld Shareholders approve the Merger Proposal, the AOT Vendors together with existing Helloworld management intend to seek to integrate the businesses of Helloworld and AOT as quickly as possible. AOT and Helloworld have formed a joint merger integration committee and are conducting a review of the businesses of both companies. That review will continue after the implementation of the Merger Proposal and will give the merger integration committee a better understanding of the businesses and therefore assist in the integration process and seek to identify areas where the businesses may be enhanced.

The existing businesses of Helloworld and AOT are complementary and share some common requirements in terms of operations. Accordingly, it is expected that the process of integrating the two businesses will result in some changes to both Helloworld's businesses and AOT's businesses. However, the nature and extent of those changes will depend on the outcome of the review described above. While the AOT Vendors do not have any definite intentions in relation to the outcomes of the review, is anticipated that there will be areas to optimise savings, particularly in relation to:

- corporate and divisional overheads;
- shared services;
- content acquisition;
- systems; and
- property rationalisation.

AOT and Helloworld's management teams have estimated that potential pre-tax cost savings of $7.6 million can be achieved by 30 June 2017 on an annualised basis by combining the two businesses.

Other than the above, the AOT Vendors do not have any current intentions to change the business of Helloworld, inject further capital into Helloworld or implement any proposal where assets will be transferred between Helloworld and AOT.

(f) Any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity

The dividend policy of Helloworld is a matter for the Helloworld Board to determine at the relevant time and taking into account the circumstances and strategies at that time. Subject to the review noted above, the AOT Vendors have no intention to influence the dividend policy of Helloworld.

(g) The interests that any director has in the acquisition or any relevant agreement disclosed under RG 74.25(d)

Andrew Burnes and Cinzia Burnes (proposed directors of Helloworld) will have voting power in 40% of Helloworld based on the enlarged Helloworld Share capital immediately after Completion.

Andrew Burnes is required to enter into an employment contract in respect of his employment as Chief Executive Officer of Helloworld on or about the Completion Date. The terms of his employment contract are summarised in section 5.4 of this Explanatory Memorandum.

(h) Certain details about any person who is intended to become a director if members approve the acquisition and any interest that the proposed director has in the acquisition

Andrew Burnes and Cinzia Burnes will both be appointed directors of Helloworld upon Completion. Andrew Burnes and Cinzia Burnes will each have voting power in 40% of total Helloworld Shares on issue as a result of the Merger Proposal. The biographies of Andrew Burnes and Cinzia Burnes are set out in section 5.3 of this Explanatory Memorandum.

Andrew Burnes is required to enter into an employment contract in respect of his employment as Chief Executive Officer of Helloworld on or about the Completion Date. The terms of his employment contract are summarised in section 5.4 of this Explanatory Memorandum.

Following Completion of the Merger Proposal, the Helloworld Board will appoint two additional independent non-executive directors, one of whom will act as the an independent Chairman and chair the Remuneration and Nominations Committee and the other of whom will chair the Audit Committee. The Helloworld Board has commenced a search for the two independent non-executive director roles noted above. Helloworld will inform ASX of the identity of these directors once it is known.

None of Helloworld, the Helloworld Directors and the AOT Vendors are aware of any additional information not set out in this Explanatory Memorandum or the Independent Expert's Report that would be material to Helloworld Shareholders in deciding how to vote on Resolutions 2 and 3.

6.3.3 RESOLUTION 4 – APPROVAL OF THE ACQUISITION OF AOT

Resolution 4 seeks the approval of Helloworld Shareholders to the acquisition by Helloworld of all of the shares in AOT from the AOT Vendors in consideration for the issue of Helloworld Shares and the payment of the Cash Consideration to the AOT Vendors for the purposes of Listing Rule 10.1 and Chapter 2E of the Corporations Act. The Helloworld Directors recommend, in the absence of a Superior Proposal, that Helloworld Shareholders vote in favour of this Resolution if they wish the Merger Proposal to be implemented.

Listing Rule 10.1

Listing Rule 10.1 requires that any acquisition of a substantial asset from a substantial holder be approved by shareholders. A person who has with the person's Associates a relevant interest in at least 10% of all Helloworld Shares is a "substantial holder" for the purposes of the Listing Rules. An asset is a "substantial asset" for the purposes of the Listing Rules if its value is more than 5% of the equity interests in Helloworld as set out in its last Annual Report.

As the AOT Vendors each currently have voting power in more than 10% of all Helloworld Shares on issue, they are "substantial holders" for the purposes of the Listing Rule 10.1.

The AOT Shares to be acquired by Helloworld from the AOT Vendors under the Merger Proposal account for more than 5% of the equity interests of Helloworld as set out in its last Annual Report, with the result that those shares are a "substantial asset" for the purposes of the Listing Rules.

Accordingly, Resolution 4 seeks the approval of Helloworld Shareholders (other than the AOT Vendors and any of their Associates) for the purchase of AOT Shares under the Merger Proposal as required under Listing Rule 10.1.

Chapter 2E of the Corporations Act

Under the Merger Proposal, Helloworld will acquire AOT in consideration for the issue of Helloworld Shares and the payment of the Cash Consideration to the AOT Vendors. Chapter 2E of the Corporations Act requires, unless an exception applies, Helloworld to obtain shareholder approval for this because it involves Helloworld giving a financial benefit to a related party, namely the AOT Vendors. Andrew Burnes and Cinzia Burnes are related parties of Helloworld because, if the Merger Proposal is implemented, they will become directors of Helloworld. The Burnes Group Pty Ltd as trustee for The Burnes Group Service Trust is also likely to be considered a related party of Helloworld because it is acting in concert with Andrew Burnes and Cinzia Burnes in relation to the Merger Proposal. While the Merger Proposal was negotiated on what Helloworld considers to be arm's length terms, and on this basis is exempt from requiring shareholder approval under Chapter 2E of the Corporations Act, Helloworld considers it prudent to obtain shareholder approval for the purposes of Chapter 2E all the same. To that end, Helloworld makes the following disclosures for the purposes of section 219 of the Corporations Act:

(a) Those financial benefits that will be provided by Helloworld or its subsidiaries in connection with the implementation of the Merger will be given to the AOT Vendors.

(b) The financial benefits that will be provided by Helloworld include the issue of 36,450,001 Helloworld Shares and the payment of the Cash Consideration. These financial benefits are described in greater detail in section 2.2 of this Explanatory Memorandum.

(c) The recommendation of each Helloworld Director and his reasons for that recommendation are contained in section 2.7 of this Explanatory Memorandum.

(d) The interests of each Helloworld Director in the outcome of Resolution 4 is contained in section 2.8 of this Explanatory Memorandum.

(e) All other information that is reasonably required by Helloworld Shareholders in order to decide whether or not it is in Helloworld's interests to pass Resolution 4 and is known to Helloworld or to any of its directors is contained in this Explanatory Memorandum or the Independent Expert's Report that is attached to this Explanatory Memorandum.

6.4 CONSENTS AND DISCLAIMERS

The following parties have given, and have not withdrawn as at the date of this Explanatory Memorandum, their written consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- Fort Street as financial adviser to Helloworld;
- Ernst & Young as accounting adviser to Helloworld;
- MinterEllison as legal adviser to Helloworld;
- Computershare Investor Services Pty Limited as Helloworld's Share Registrar; and
- Grant Thornton as Independent Expert.

AOT has given, and has not withdrawn as at the date of this Explanatory Memorandum, its written consent to the inclusion of the AOT Information and the Joint Information, in the form and context in which they are included in this Explanatory Memorandum.

Each party referred to in this section 6.4:

- does not make, or purport to make, any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based other than a statement included in this Explanatory Memorandum with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum, other than as described in this Explanatory Memorandum with the consent of that party.

7 Helloworld Group Financial Information

7.1.1 Helloworld Group Financial Information

This section contains a summary of Helloworld Group Financial Information, which is comprised of the following:

- Helloworld Group Pro-Forma Historical Income Statements for the years ended 30 June 2014 and 30 June 2015, as set out in section 7.1.3; and
- Helloworld Group Historical Statement of Financial Position as at 30 June 2015, as set out in section 7.1.4.

Also summarised in this section is:

- the basis of preparation of Helloworld Group Financial Information (refer to section 7.1.2).

The Helloworld Directors are responsible for the preparation and presentation of the Helloworld Group Financial Information.

The information in this section should also be read in conjunction with the risk factors set out in section 5.6 and other information contained in this Explanatory Memorandum.

All amounts disclosed in the tables are presented in A$ and, unless otherwise noted, are rounded to the nearest thousand dollars.

7.1.2 Basis of preparation and presentation of the Helloworld Group Financial Information

The Helloworld Group Financial Information has been derived from the statutory accounts of the Helloworld Group for the years ended 30 June 2014 and 30 June 2015 which were audited by PricewaterhouseCoopers and on which unqualified audit opinions were issued.

The Historical Financial Information has been prepared and presented in accordance with the measurement and recognition principles of Australian Accounting Standards (**AAS**), although it is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Helloworld Group accounting policies are disclosed in the Helloworld Group Annual Report for the year ended 30 June 2015.

Consistent with the AOT Group Financial Information and the Enlarged Helloworld Group Financial Information, the Helloworld Group Pro-Forma Historical Income Statements have been presented before interest expense and income tax, depreciation, amortisation and impairment expenses. Following the implementation of the Merger Proposal, the enlarged Helloworld Group will be required to restate the assets and liabilities of the AOT Group (as the deemed acquired entity for accounting purposes) to fair value and this could have a material impact on depreciation and amortisation. Further, the funding structure may vary following the implementation of the Merger Proposal which could have a material impact on net interest expense. Accordingly, the historical interest expense and income tax, depreciation and amortisation may not be a meaningful representation of the future earnings profile of the enlarged Helloworld Group. Notwithstanding the above, for information purposes, the actual impairment expenses incurred by the Helloworld Group in the years ended 30 June 2014 and 30 June 2015 have been presented below EBITDAI in the Helloworld Group Pro-Forma Historical Income Statements as set out in section 7.1.3.

EBITDA and EBITDAI included in this Explanatory Memorandum may be considered non-IFRS financial information. EBITDAI and EBITDA are key financial performance measures used by the Helloworld Group for its internal management reporting as the Helloworld Group believes they appropriately reflect what it considers to be its underlying performance. EBITDA and EBITDAI are not statutory financial measures and are not presented in accordance with Australian Accounting Standards.

For the purposes of the Helloworld Group Pro-Forma Historical Income Statements, interest income on client cash is included in total revenue due to the operational nature of this income. This is consistent with the way in which the Helloworld Group has historically treated this interest income.

Preparation of the Helloworld Group Pro-Forma Historical Income Statements

The Helloworld Group Pro-Forma Historical Income Statements have been derived from the statutory accounts of the Helloworld Group for the years ended 30 June 2014 and 30 June 2015 which were audited by PricewaterhouseCoopers and on which unqualified audit opinions were issued.

The Helloworld Group Pro-Forma Historical Income Statements exclude the impact of significant and / or unusual items of revenue or expense such as fair value gains or losses on investments, restructuring and business transformation costs, legal fees, merger or acquisition related transaction costs and impairments when these are outside the ordinary course of business or unusual due to their size, nature or incidence. This presentation is used by the Helloworld Board to assess the performance of the Helloworld Group and the operating segments.

A reconciliation between the Helloworld Group Pro-forma Historical Income Statements for the years ended 30 June 2014 and 30 June 2015 and the income statement of the Helloworld Group derived from the audited statutory accounts of the Helloworld Group for that period is provided in section 7.1.3.

7.1.3 Helloworld Group Pro-Forma Historical Income Statements

The Helloworld Group Pro-Forma Historical Income Statements for the years ended 30 June 2014 and 30 June 2015 are set out below.

Helloworld Group Pro-Forma Historical Income Statement **Year ended 30 June** **A$000s**	**2014**	**2015**
TTV[(1)]	**4,861,032**	**4,696,169**
Revenue	286,598	274,861
Interest income on client cash	4,566	3,926
Total revenue[(2)]	**291,164**	**278,787**
Expenses	(251,272)	(251,933)
Share of results from equity accounted investments[(3)]	162	165
EBITDAI[(2)]	**40,054**	**27,019**
Impairment expenses[(4)]	(59,500)	(205,300)
EBITDA	**(19,446)**	**(178,281)**

Notes:

1. TTV does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold (exclusive of GST) across the Helloworld Group's various operations including when the Helloworld Group acts as agent for various airlines and other service providers, plus revenue from other sources. The Helloworld Group's revenue is therefore derived from TTV. TTV does not represent the Helloworld Group's cash flows as some transactions are settled directly between the customer and supplier.
2. For the purposes of the pro forma revenue and EBITDA, interest income on client cash is included due to the operational nature of this income. EBITDAI is presented before interest expense and income tax, depreciation, amortisation and impairment expenses.
3. Share of results from equity accounted investments relates to profits from Helloworld Group's investment in Harvey World Travel Southern Africa (Pty) Limited (Helloworld Group has a 50% ownership interest), Tour Managers (Fiji) Limited (Helloworld Group has a 33% ownership interest) and Harvey World Travel Strategy Group Ltd (Helloworld Group has a 50% ownership interest). The investment in Harvey World Travel Southern Africa (Pty) Limited was disposed of on 10 July 2015.
4. The Group's balance sheet included a number of intangible assets such as goodwill, which arose from several legacy transactions including the 2010 merger of Stella Travel Services Holdings Pty Ltd and Jetset Travelworld Limited. The preparation of the full year results in the

years ended 30 June 2014 and 30 June 2015 included an assessment of the carrying value of intangible assets to ensure that the balances were appropriately supported. Based on these assessments, the Company wrote down the goodwill balance and incurred a non-cash impairment charge of $59.5 million in the year ended 30 June 2014 and $205.3 million in the year ended 30 June 2015. The goodwill write downs are non-cash charges which have no impact on the Helloworld Group's cashflows or ongoing operations.

In presenting the Helloworld Group Pro-Forma Historical Income Statements for the years ended 30 June 2014 and 30 June 2015, adjustments to the audited statutory historical income statements have been made for certain events and / or transactions. These adjustments and a reconciliation between actual historical results and pro forma historical results is outlined below.

Year ended 30 June	Notes	2014		2015	
A$000s		**Revenue**	**EBITDAI**	**Revenue**	**EBITDAI**
Actual reported Helloworld Group		**291,671**	**15,720**	**279,223**	**24,051**
Adjustments:					
Interest income on non-client cash	1	(507)	(507)	(436)	(436)
(Gain)/Loss on disposal of investments	2		5,473		(340)
Business transformation costs	3		15,847		2,101
Share-based payments	4		115		83
Actuarial adjustment on defined benefit pension	5		-		710
Costs relating to GST matter	6		2,738		617
Costs relating to disposal of investments	7		60		-
CEO resignation/retirement costs	8		608		233
Total adjustments		**(507)**	**24,334**	**(436)**	**2,968**
Pro-Forma Helloworld Group		**291,164**	**40,054**	**278,787**	**27,019**

Notes to pro-forma adjustments:

Adjustment 1: Interest income has been included in actual reported revenue in the Helloworld financial statements. For the purposes of the Helloworld Group Pro-Forma Historical Income Statements, only the interest income related to client cash is deemed operational and should be included in revenue. Interest income earned on non-client cash has been excluded from the Helloworld Group Pro-Forma Historical Income Statements.

Adjustment 2: Gain/loss on disposal of investments relates to the disposal of ATS Pacific Pty Ltd to the AOT Group on 30 September 2013.

Adjustment 3: Costs related to business transformation.

Adjustment 4: Non-cash expense recorded in relation to the Long Term Incentive Plan Program.

Adjustment 5: Non-cash portion of the expense related to the defined benefit pension plan in Qantas Holidays.

Adjustment 6: Costs in relation to the ongoing GST matter with the Federal Court as disclosed in the Helloworld Group financial statements for the year ended 30 June 2015, Note 7(g).

Adjustment 7: Costs related to the disposal of investments.

Adjustment 8: Costs related to the CEO resignation/retirement.

7.1.4 Helloworld Group Historical Statement of Financial Position

The Helloworld Group Historical Statement of Financial Position has been extracted from the audited statutory accounts of the Helloworld Group for the year ended 30 June 2015.

As at 30 June 2015 **A$000s**	**Helloworld Group Historical Statement of Financial Position**
ASSETS	
Current assets	
Cash[1]	176,141
Trade and other receivables	104,869
Other current assets	2,025
Total current assets	**283,035**
Non-current assets	
Investments accounted for using the equity method	460
Property, plant and equipment	16,916
Intangible assets	161,404
Other non-current assets	9,281
Total non-current assets	**188,061**
TOTAL ASSETS	**471,096**
LIABILITIES	
Current liabilities	
Trade and other payables	183,609
Provisions	13,052
Deferred revenue	69,294
Other current liabilities	36
Total current liabilities	**265,991**
Non-current liabilities	
Borrowings	23,245
Deferred tax liabilities	295
Provisions	1,430
Other non-current liabilities	2,659
Total non-current liabilities	**27,629**
TOTAL LIABILITIES	**293,620**

NET ASSETS	**177,476**
EQUITY	
Share capital	278,755
Reserves	161,636
Retained earnings	(263,014)
Equity attributable to owners of Helloworld Group	**177,377**
Non-controlling interests	99
Total equity	**177,476**

Notes:
1. In the Helloworld Group Historical Statement of Financial Position, the cash amount of $176.1 million includes client cash of $148.8 million.

7.1.5 Forecast financial information

Helloworld has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The Helloworld Board have concluded that, as at the date of this Explanatory Memorandum, a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice, and that the inclusion of such forecasts could be potentially misleading.

The financial performance of Helloworld in any period will be influenced by various factors that are outside the control of Helloworld and that cannot, at this time, be predicted with a high level of confidence.

In particular, the financial performance of Helloworld will be affected by the following factors:

- various drivers of Helloworld's core businesses are subject to fluctuations which are beyond management control;
- Helloworld does not have a high degree of visibility over TTV for the next six months. TTV is a core underlying driver of earnings;
- Helloworld's financial results are materially dependent on tiered volume overrides from suppliers. As volumes are subject to, inter alia, the vagaries of fluctuations in GDP and exchange rates, consumer choice of provider, global events such as wars and disease and consumer choice of carrier, final volumes and tiers cannot be predicted with accuracy; and
- the rate of change in the travel sector is accelerating, with the possibility of new entrants and technologies which could materially affect short-term future results;

Any assumptions in respect of the above factors could be considered hypothetical and could not be seen as representing a reasonable basis for the preparation of forecast financial information.

Helloworld does not have an established practice of issuing financial forecasts to the market given the financial impact of the considerations referred to above.

8 Notice of Meeting

Notice is given that a General Meeting of Helloworld Limited ABN 60 091 214 998 (**Helloworld** or **Company**) will be held on 22 January 2016 at 10.00am (Sydney time) at Level 13, 80 Pacific Highway, North Sydney NSW 2060 for the purpose of considering and if thought fit passing the following proposed Resolutions.

Unless otherwise defined, terms used in this Notice of Meeting have the meaning given in the Explanatory Memorandum of which this notice forms part.

Resolution 1: Share Consolidation

To consider and, if thought fit, to pass the following ordinary resolution:

“That, conditional on the passing of the resolutions proposed in Resolutions 2, 3 and 4, all of the Helloworld Shares on issue as at 7.00pm (Sydney time) on the day before the Completion Date (Effective Time) are converted into the smaller number derived by the following:

(a) convert every 6 Helloworld Shares on issue at the Effective Time into 1 Helloworld Share; and

(b) in respect of each person registered as the holder of Helloworld Shares at the Effective Time:

(i) round up to the nearest whole Helloworld Share any fraction of 0.5 or more; and

(ii) disregard any fraction of less than 0.5,

remaining after the application of paragraph (a) to those Helloworld Shares.”

Resolution 2: Issue of Helloworld Shares to AOT Vendors

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, conditional on the passing of the resolutions proposed in Resolutions 1, 3 and 4, for the purposes of section 611 item 7 of the Corporations Act 2001 (Cth) and for all other purposes, the members of Helloworld approve the acquisition by the AOT Vendors of a total of 36,450,001 Helloworld Shares by way of issue by Helloworld in accordance with the Merger Implementation Agreement."

Voting exclusion statement

In accordance with item 7 of section 611 of the Corporations Act and Listing Rule 14.11, no votes may be cast in favour of Resolution 2 by any of the AOT Vendors or any of their Associates.

Resolution 3: Acquisition of Relevant Interest in Vendor Escrow Shares

To consider and, if thought fit, to pass the following ordinary resolution:

"That, conditional on the passing of the resolutions proposed in Resolutions 1, 2 and 4, for the purposes of section 611 item 7 of the Corporations Act 2001 (Cth) and for all other purposes, the members of Helloworld approve the acquisition by Helloworld of a relevant interest in 43,946,773 Helloworld Shares as a result of Helloworld’s power to exercise control over the disposition of and to an extent the voting rights relating to those Helloworld Shares under the Voluntary Escrow Deeds."

Voting exclusion statement

In accordance with item 7 of section 611 of the Corporations Act and Listing Rule 14.11, no votes may be cast in favour of Resolution 3 by Helloworld, any of the AOT Vendors or any of their respective Associates.

Resolution 4: Acquisition of AOT by Helloworld

To consider and, if thought fit, to pass the following ordinary resolution:

> *"That, conditional on the passing of the resolutions proposed in Resolutions 1, 2 and 3, for the purposes of Listing Rule 10.1 and Chapter 2E of the Corporations Act, and for all other purposes, the members of Helloworld approve the acquisition by Helloworld of all of the shares in AOT Group Limited from the AOT Vendors under the Merger Implementation Agreement and the giving of the financial benefits to related parties in each case as detailed in the accompanying Explanatory Memorandum."*

Voting exclusion statement

In accordance with section 224 of the Corporations Act and Listing Rules 10.1 and 14.11, no votes may be cast (in any capacity) on Resolution 4 by or on behalf of Helloworld, any of the AOT Vendors or any of their respective Associates.

However, the above does not prevent the casting of a vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and

- it is not cast on behalf of Helloworld, any of the AOT Vendors or any of their respective Associates.

Background information

To assist you in deciding how to vote on the above Resolutions, background information on the Resolutions is set out in the Explanatory Notes forming part of this Notice of Meeting.

Attendance and Voting

Entitlement

You will be entitled to attend and vote at the General Meeting if you are registered as a shareholder of the Company as at 7.00pm (Sydney time) on 20 January 2016. This is because, in accordance with the Corporations Regulations, the Helloworld Board has determined that the Helloworld Shares on issue at that time will be taken, for the purposes of the General Meeting, to be held by the persons who held them at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

How to vote

Voting in person

Shareholders who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting if possible, so that their holding may be checked against the Company's register of members and attendances recorded. If you are attending the meeting, please bring the enclosed personalised proxy form with you to assist with registration.

Corporate representative

A body corporate, which is a shareholder or which has been appointed as a proxy, may appoint an individual to act as its corporate representative at the meeting in accordance with section 250D of the Corporations Act. The appropriate appointment document must be produced prior to admission. A form of appointment may be obtained by telephoning the Company's share registry (1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia)) or at www.computershare.com by downloading the form 'Appointment of Corporate Representative'.

Voting by proxy

A shareholder who is entitled to attend and cast a vote at the meeting may appoint a proxy. A proxy need not be a shareholder, and may be an individual or body corporate. If a body corporate is appointed as a proxy it must appoint a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the meeting (see above).

A shareholder who is entitled to cast two or more votes may appoint two proxies to attend the meeting and vote on their behalf and may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints two proxies and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions). If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the Company's share registry (1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia)) or at www.computershare.com or you may copy the enclosed proxy form.

To be effective for the scheduled meeting, a proxy appointment (and any power of attorney or other authority under which it is signed or otherwise authenticated, or a certified copy of that authority) must be received at an address or fax number set out below no later than 10.00am (Sydney time) on 20 January 2016 (being 48 hours before the commencement of the meeting). Any proxy appointment received after that time will not be valid for the scheduled meeting.

Return of proxy

In person

Registered Office
Level 14, 80 Pacific Highway,
North Sydney, NSW 2060

By mail

Share Registry
Computershare Investor Services Pty Limited
GPO Box 242,
Victoria 3001 Australia

Registered Office
see address above

By fax

Share Registry
1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)

Registered Office
+61 2 8920 0110

Electronically

Shareholders may submit their proxy appointment electronically to the Company's Share Registry by visiting the following internet address: http://www.investorvote.com.au. For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your proxy appointment.

For more information concerning the appointment of proxies and the ways in which proxy appointments may be submitted, please refer to the enclosed proxy form.

Voting by attorney

A shareholder may appoint an attorney to attend and vote on their behalf. For an appointment to be effective for the meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company, at its registered office or one of the addresses listed above for the receipt of proxy appointments, at least 48 hours prior to the commencement of the meeting.

Chairman as proxy

If you appoint a proxy, the Company encourages you to consider directing your proxy how to vote by marking the appropriate box on the proxy form for each of the proposed Resolutions.

If you appoint the Chairman of the Meeting as your proxy (or the Chairman of the Meeting becomes your proxy by default) and you do not direct your proxy how to vote on a Resolution, you will be authorising the Chairman to vote as he decides on the relevant Resolution. On a poll, the Chairman of the Meeting intends to vote, as your proxy, in favour of each of the proposed Resolutions (where permissible).

If you do not want the Chairman of the Meeting to vote, as your proxy, in favour of any Resolution, you need to direct your proxy to vote against, or to abstain from voting on, the relevant Resolution by marking the appropriate box on the proxy form.

By Order of the Board

Stephanie Belton
General Counsel and Group Company Secretary
Helloworld Limited
18 December 2015

helloworld

Helloworld Limited
ABN 60 091 214 998

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

Vote online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number:

SRN/HIN:

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10.00am (Sydney time) on Wednesday, 20 January 2016

Directing your proxy how to vote on the proposed Resolutions

Appointment of Proxy
Your proxy may decide whether to vote on a Resolution, except where your proxy is required by law or the Company's constitution to vote, or abstain from voting, in their capacity as proxy. If your proxy is directed how to vote on a Resolution, your proxy may vote on that Resolution only in accordance with that direction.

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Lodgement of Proxy

This proxy form and an original or certified copy of any power of attorney or other authority (if any) under which it is signed must be received by the registry or the Company at the addresses provided in the top right corner of this page (or in the accompanying Notice of Meeting) no later than 10.00am (Sydney time) on Wednesday, 20 January 2016, or if the meeting is adjourned, at least 48 hours before the resumption of the meeting in relation to the resumed part of the meeting. Any proxy form (and any power of attorney or other authority under which it is signed) received after that time will not be valid for the purposes of the meeting.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO LODGE YOUR PROXY, or turn over to complete the form →

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Helloworld Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ______________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Helloworld Limited to be held at Level 13, 80 Pacific Highway, North Sydney NSW 2060 on Friday, 22 January 2016 at 10.00am (Sydney time) and at any adjournment or postponement of that Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each of the proposed Resolutions (where permissible). In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	Approval of the Share Consolidation	☐	☐	☐
2	Approval of the issue of Helloworld Shares	☐	☐	☐
3	Approval of the Voluntary Escrow Deed	☐	☐	☐
4	Approval of the acquisition of AOT	☐	☐	☐

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** ____ / ____ / ____

9 Glossary

Defined term	Meaning
$ or A$	Australian dollars.
Affiliate	in relation to an entity: (a) any related body corporate of the entity or a company in which the entity beneficially owns not less than 50% of the shares; (b) any unit trust, limited partnership or other collective investment vehicle managed by the entity or a related body corporate of the entity; or (c) any custodian of all or any of the assets of that entity; or in relation to an individual: (d) the spouse, former spouse, mother, father, brother, sister or child over the age of 18 of the individual; (e) an entity controlled by the individual; or (f) an entity jointly controlled by the individual and one or more of its Affiliates.
Alternative Proposal	any proposal under which a third party (other than AOT, its Related Entities or the AOT Vendors) would if the proposal was implemented: (a) acquire or become the holder of all or a substantial part of the business of the Helloworld Group; (b) acquire control of Helloworld; or (c) otherwise acquire, or merge with, Helloworld.
AOT	AOT Group Limited (ACN 106 495 498).
AOT Directors	the directors of AOT.
AOT Group	AOT and its Subsidiaries.
AOT Group Financial Information	the AOT Group Pro-Forma Historical Income Statements and the AOT Group Historical Statement of Financial Position.
AOT Group Pro-Forma Historical Income Statements	the pro-forma historical income statement of the AOT Group for the years ended 30 June 2014 and 30 June 2015.
AOT Group Historical Statement of Financial Position	the historical statement of financial position of the AOT Group as at 30 June 2015.
AOT Information	Information provided by AOT to Helloworld in writing for inclusion in the Explanatory Memorandum regarding: (a) the AOT Group; (b) the AOT Vendors; and (c) the AOT Vendors' intentions in relation to Helloworld's business assets and employees, which includes certain information contained in the 'Important Notice' section, the Letter from the Chairman, sections 2.10, 4, 5.3, 6.3.2, 6.4 and 9.
AOT Shares	fully paid ordinary shares in the capital of AOT.

AOT Prescribed Occurrence	the occurrence on or after the date of this agreement until Completion or termination of this agreement of certain prescribed events, including: (a) a change to a member of the AOT Group's issued share capital; (b) the declaration or payment of a dividend or bonus by AOT; (c) a member of the AOT Group granting an option over its shares; (d) AOT amending its constitution; (e) an acquisition or disposal of interests or assets by AOT other than in the ordinary course of business; (f) AOT entering into a contract or commitment, or incurring capital expenditure, in excess of a certain amount; (g) an insolvency event occurring in respect of AOT; or (h) AOT significantly changing its accounting practices.
AOT Warranties	each of the representatives and warranties given by AOT to Helloworld as set out in the Merger Implementation Agreement.
AOT Vendors	Andrew Burnes, Cinzia Burnes, Andrew Burnes and Cinzia Burnes jointly and The Burnes Group Pty Ltd as trustee for the Burnes Group Service Trust.
ASIC	Australian Securities and Investments Commission.
Associate	the meaning given in Division 2 of Part 1.2 of the Corporations Act as if: (a) section 12(1) of that Act included a reference to this Explanatory Memorandum; and; (b) Helloworld was the designated body.
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by ASX as the context requires.
Australian Accounting Standards	the Australian Accounting Standards as issued by the Australian Accounting Standards Board.
Cash Consideration	$25 million, subject to adjustment to reflect the acquisition of AOT on a cash free, debt free basis.
Commonwealth Procurement Guidelines	the guidelines which provide the core procurement policy framework and articulate the Commonwealth Government's expectation for all departments and agencies subject to the *Financial Management and Accountability Act 1997* and their officials, when performing duties in relation to procurement.
Completion	completion of the Merger Proposal under the Merger Implementation Agreement.
Completion Date	the date on which Completion under the Merger Implementation Agreement occurs.
Condition	the conditions precedent to Completion, set out in clause 2.1 of the Merger Implementation Agreement and summarised in section 6.1.2 of this Explanatory Memorandum.
Control	the meaning given to that term in section 50AA of the Corporations Act (and **Controlled** and **Controlling** have corresponding meanings).
Corporations Act	the *Corporations Act 2001* (Cth).
Corporations Regulations	the *Corporations Regulations 2001* (Cth).

Counter Proposal	the amendment of the terms of the Merger Proposal or proposal of any other form of transaction by the AOT Vendors in response to notification by Helloworld of an Alternative Proposal.
EBITDAI	earnings before interest expense, tax, share-based payments, depreciation, amortisation and impairment.
Encumbrance	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or Security Interest of any kind, or another type of agreement or arrangement: (a) having similar effect; or (b) to create any of the foregoing, other than any Encumbrance created or arising under the Merger Implementation Agreement.
Enlarged Helloworld Group Pro-Forma Financial Information	the Enlarged Helloworld Group Pro-Forma Historical Income Statement and the Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position.
Enlarged Helloworld Group Pro-Forma Historical Income Statement	the meaning given in section 5.5.3 of this Explanatory Memorandum.
Enlarged Helloworld Group Pro-Forma Historical Statement of Financial Position	the meaning given in section 5.5.4 of this Explanatory Memorandum.
Escrow Period	the period between the date of the Voluntary Escrow Deed and the second anniversary of the Completion Date.
Europe Voyager	Europe Voyager NV.
Explanatory Memorandum	this document.
Fiduciary Out	the exceptions to some of Helloworld's exclusivity obligations as detailed in section 6.1.4 of this Explanatory Memorandum.
FIT	'Free Independent Travel', the meaning given in section 4.1 of this Explanatory Memorandum.
Fort Street	Fort Street Advisers Pty Ltd ACN 137 980 520.
General Meeting	the general meeting of Helloworld Shareholders convened by the Helloworld Directors to consider and vote on the Resolutions.
Grant Thornton	Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987).
Helloworld	Helloworld Limited (ABN 60 091 214 998).
Helloworld Board	the board of directors of Helloworld.
Helloworld Break Fee	$500,000 as a genuine and reasonable pre-estimate of the Costs that the AOT Vendors will suffer if the Merger Proposal does not proceed.
Helloworld Directors or **Directors**	the directors of Helloworld.
Helloworld Group	Helloworld and its Subsidiaries.
Helloworld Group Financial Information	the Helloworld Group Pro-Forma Historical Income Statements and the Helloworld Group Historical Statement of Financial Position.
Helloworld Group Pro-Forma Historical Income Statements	the pro-forma historical income statements of the Helloworld Group for the years ended 30 June 2014 and 30 June 2015.
Helloworld Group Historical Statement of Financial Position	the historical statement of financial position of the Helloworld Group as at 30 June 2015.
Helloworld Information	means all information in this Explanatory Memorandum other than the AOT Information and the Joint Information.

Helloworld Material Adverse Change	events or occurrences or matters that occur or fail to occur on or after the date of the Merger Implementation Agreement and until Completion or termination of the Merger Implementation Agreement other than: (a) those required to be done or procured by Helloworld pursuant to the Merger Implementation Agreement; and (b) certain facts, matters or circumstances referred to in the Merger Implementation Agreement, that individually, or when aggregated with all such events, occurrences or matters, is or are reasonably likely to exceed certain quantitative thresholds.
Helloworld Prescribed Occurrence	the occurrence on or after the date of this agreement until Completion or termination of this agreement of certain prescribed events, including: (a) a change to a member of the Helloworld Group's issued share capital; (b) the declaration or payment of a dividend or bonus by Helloworld; (c) Helloworld granting an option over Helloworld Shares; (d) Helloworld amending its constitution; (e) an acquisition or disposal of interests or assets by Helloworld other than in the ordinary course of business; (f) Helloworld entering into a contract or commitment, or incurring capital expenditure, in excess of a certain amount; (g) an insolvency event occurring in respect of Helloworld; or (h) Helloworld significantly changing its accounting practices.
Helloworld Shareholder	a person who is registered in the Helloworld Share Register as the holder of Helloworld Shares.
Helloworld Share Register	the register of members of Helloworld maintained by Helloworld in accordance with the Corporations Act.
Helloworld Shares	fully paid ordinary shares in the capital of Helloworld.
Helloworld Warranties	each of the representatives and warranties given by Helloworld to AOT as set out in the Merger Implementation Agreement.
Independent Expert	Grant Thornton Australia.
Independent Expert's Report	the report prepared by Grant Thornton Australia which is contained in section 10.

Insolvency Event	in relation to an entity: (a) a receiver, receiver and manager, administrator, trustee or similar official is appointed over any of the assets of undertaking of the entity; (b) the entity suspends payments of its debts generally; (c) the entity is or becomes unable to pay its debts when they are due or is unable to pay its debts within the meaning of the Corporations Act; (d) the entity enters into or resolves to enter into any arrangement, competition or compromise with, or assignment for the benefit of, its creditors or any class of them; (e) an application or order is made for the winding up, deregistration or dissolution of, or the appointment of a provisional liquidator, to the entity or a resolution is passed or steps are taken to pass a resolution for the winding up, deregistration or dissolution of the entity, otherwise than for the purpose of amalgamation or reconstruction that has the prior consent of all the entities' shareholders; (f) an administrator is appointed under the Corporations Act; or (g) any action occurs in respect of an entity in any jurisdiction which is analogous to any of those actions set out in paragraphs (a) to (f) inclusive.
ITO	'inbound tour operator', the meaning given in section 4.1 of this Explanatory Memorandum.
Joint Information	The information contained in this Explanatory Memorandum which AOT and Helloworld have jointly prepared, including certain information contained in the 'Important Notice' section, the Letter from the Chairman, sections 5.5.3, 5.5.4, 5.6, 6.3.2 and 9.
Listing Rules	the listing rules of the ASX.
Merger Implementation Agreement	the Merger Implementation Agreement between Helloworld, AOT and the AOT Vendors dated 20 November 2015.
Merger Consideration	the Share Consideration and the Cash Consideration.
Merger Proposal	the proposed acquisition by Helloworld of all of the AOT Shares on issue for the Merger Consideration under the Merger Implementation Agreement as further described in section 2.
Non-associated Helloworld Shareholders	means all Helloworld Shareholders other than the AOT Vendors and their Associates.
Notice of Meeting	the notice of General Meeting contained in this Explanatory Memorandum.
OTA	Online Travel Agent.
PriceWaterhouseCoopers	PricewaterhouseCoopers (ABN 52 780 433 757).
Qantas	Qantas Airways Limited (ABN 16 009 661 901).
QBT	QBT Pty Ltd (ABN 50 128 382 187).
Qantas Holidays	Qantas Holidays Ltd (ABN 24 003 836 459).
QH Tours	Q H Tours Limited (ABN 81 001 262 433).
Related Entity	in relation to a party, means any entity that is a related body corporate of that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in the Accounting Standards) that is controlled by that party.

Resolutions	the resolutions set out in the Notice of Meeting.
Share Consideration	the 36,450,001 Helloworld Shares (Post-Share Consolidation) to be issued to the AOT Vendors under the Merger Implementation Agreement.
Share Consolidation	the meaning given in section 2.2.1 of this Explanatory Memorandum.
Share Registrar or **Computershare Investor Services**	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Sintack	Sintack Pty Ltd (ACN 056 578 691).
Stella Travel	Stella Travel Services Holdings Pty Ltd (ABN 47 138 225 288).
Stella Travel Services	Stella Travel Services Group Pty Limited (ABN 52 097 772 702).
Subsidiaries	the meaning given in section 9 of the Corporations Act.
Superior Proposal	any bona fide alternative proposal to acquire all or a substantial part of the business of Helloworld or acquire control of Helloworld (**Alternative Proposal**) which the Helloworld Directors have determined, in good faith and acting reasonably after consultation with Helloworld's financial and legal advisers: a) is reasonably capable of being valued and completed, taking into account all aspects of the Alternative Proposal, including its terms and conditions, the person making it and its likely date of completion; and b) would, if consummated in accordance with its terms, be more favourable to Helloworld Shareholders as a whole than the Merger Proposal, taking into account all the terms and conditions of the Alternative Proposal.
UBS	UBS Australia Holdings Limited (ACN 003 059 498).
Vendor Escrow Shares	the Helloworld Shares subject to the Voluntary Escrow Deeds.
Voluntary Escrow Deeds	the Escrow Deeds between Helloworld and each of the AOT Vendors.

10 Independent Expert's Report – Merger Proposal

Helloworld Limited

Independent Expert's Report and Financial Services Guide

18 December 2015

Grant Thornton Corporate Finance Pty Ltd
ABN 59 003 265 987
AFSL 247140

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Sydney NSW 2000
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W www.grantthornton.com.au

The Directors
Helloworld Limited
Level 14, 80 Pacific Highway
North Sydney, NSW 2060

18 December 2015

Dear Directors

Introduction

Helloworld Limited ("HLO" or "Company") is an Australian Securities Exchange ("ASX") listed company focused on the provision of integrated outbound and domestic travel products and services through its retail, wholesale and travel management segments. HLO's retail segment operates under a franchise and affiliate model with approximately 1,700 agencies in its networks in Australia and New Zealand. The wholesale segment offers air, sea, and land related travel products and services, and the travel management segment provides travel management services to government, large corporate customers, and small to medium sized enterprises. As at the date of this report, the market capitalisation of HLO was approximately A$176 million.

AOT Group Ltd ("AOT") is a privately owned company focused on the provision of travel services in the inbound, corporate/government, and leisure sectors. It distributes and sells Australian leisure products and services through various retail chains (such as HLO's agency networks) and provides inbound/destination management services mainly in Australia, New Zealand and the South Pacific. We understand, as at the date of this report the owners of AOT, Mr Andrew Burnes and Mrs Cinzia Burnes and their associated entities ("AOT Vendors") together effectively hold approximately 10.2% interest in HLO.

On 20 November 2015, HLO and the AOT Vendors entered into a Merger Implementation Agreement ("MIA") to implement the amalgamation of HLO and AOT ("Merged Entity") ("Proposed Transaction"). Under the terms of the Proposed Transaction, HLO will acquire all the outstanding shares in AOT for a total purchase price in the form of cash and scrip as set out below ("Purchase Price"):

- A$25 million in cash payable at completion subject to certain working capital and net debt adjustments ("Cash Consideration"). The Cash Consideration will be funded by HLO through the drawdown from its existing debt facilities.

- 218,700,000 shares in HLO ("Scrip Consideration") on a pre-consolidation basis. As a part of the Proposed Transaction, immediately prior to completion, the shares in HLO ("HLO

Grant Thornton
An instinct for growth™

Shares") will be consolidated on a six for one basis ("the Consolidation"). This will result in the total number of outstanding shares in HLO before the Proposed Transaction reducing from 440,330,198 to 73,388,367, and the Scrip Consideration to reduce to 36,450,001 on a post-consolidation basis.

If the Proposed Transaction is completed, the AOT Vendors will collectively increase their shareholding in HLO from 10.2% to circa 40.0% of the enlarged share capital. The Board of the Merged Entity ("Merged Entity Board") will be restructured to comprise seven directors, including Mr Andrew Burnes and Mrs Cinzia Burnes (the AOT Vendors). Mr Andrew Burnes will also be appointed as chief executive officer ("CEO") and Mrs Cinzia Burnes will be appointed as an Executive Director of the Merged Entity. The Merged Entity Board will also be supported by a restructured corporate governance framework as detailed in Section 1 of this report.

Current substantial shareholders of HLO, QH Tours Ltd[1] ("Qantas") and Europe Voyager NV[2] ("CVC") have confirmed to the Board of HLO ("HLO Board") that:

- In the absence of a superior proposal and subject to the Independent Expert concluding that the Proposed Transaction is in the best interests of the shareholders of HLO not associated with the AOT Vendors ("Non-Associated Shareholders") and the General Meeting being held no later than 31 March 2016, CVC intends to vote all shares held or controlled in favour of the Proposed Transaction. CVC currently has approximately 23% interest in HLO; and

- In the absence of a superior proposal, Qantas intends to vote all shares held or controlled in favour of the Proposed Transaction. Qantas currently has approximately 29% interest in HLO.

Qantas and CVC together hold approximately 52% interest in HLO.

The Directors of HLO ("HLO Directors") also unanimously recommend that Non-Associated Shareholders vote in favour of the Proposed Transaction in the absence of a superior proposal.

Purpose of the report

The HLO Directors have engaged Grant Thornton Corporate Finance to prepare an Independent Expert's report stating whether, in its opinion:

- The issue of HLO Shares to the AOT Vendors under the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act; and

- The acquisition of all the shares in AOT by HLO from the AOT Vendors under the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purposes of ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act.

[1] QH Tours Ltd is a wholly owned subsidiary of Qantas Airways Limited.
[2] Europe Voyager NV is owned by funds advised by CVC Capital Partners.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is NOT FAIR BUT REASONABLE to the Non-Associated Shareholders. In the absence of a superior alternative proposal emerging, we are of the opinion that the advantages of the Proposed Transaction outweigh the disadvantages and accordingly, we believe that it is in the best interest of the Non-Associated Shareholders to vote in favour of the Proposed Transaction.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders and other quantitative and qualitative considerations.

Fairness Assessment

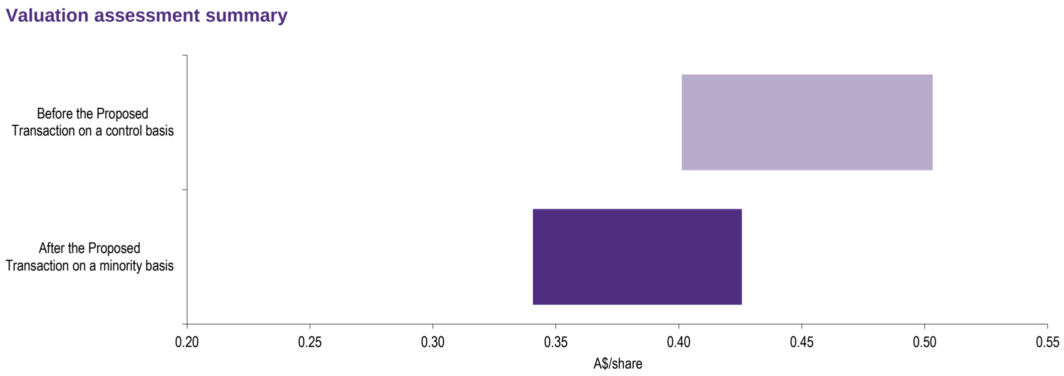
In accordance with the requirements of the Australian Securities and Investment Commission ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111"), in forming our opinion in relation to the fairness of the Proposed Transaction to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the value per HLO Share before the Proposed Transaction (on a control basis) to the assessed value per HLO Share after the Proposed Transaction (on a minority basis).

The following table and graph summarise our fairness assessment:

Fairness assessment (A$/share)	Reference	Low	High
Fair market value per HLO Share before the Proposed Transaction (control basis)	Section 8.1	0.40	0.50
Fair market value per HLO Share after the Proposed Transaction (minority basis)	Section 9.1	0.34	0.43
Variance (A$/share)		*(0.06)*	*(0.08)*

Source: Grant Thornton Corporate Finance calculations

Note: Subject to rounding



Source: Grant Thornton Corporate Finance calculations

Our assessment of the fair market value of HLO on a control basis before the Proposed Transaction is higher than our assessment of HLO on a minority basis after the Proposed Transaction.

Accordingly, we have concluded that the Proposed Transaction is **NOT FAIR** to the Non-Associated Shareholders.

Non-Associated Shareholders should be aware that our assessment of the value per HLO Share post the Proposed Transaction does not reflect the price at which HLO Shares will trade if the Proposed Transaction is completed. The price at which HLO Shares will ultimately trade depends on a range of factors including the liquidity of HLO Shares, macro-economic conditions, the underlying performance of the HLO business and the supply and demand for HLO Shares.

Reasonableness Assessment

RG111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the offer in the absence of any superior proposal. In assessing the reasonableness of the Proposed Transaction, we have considered the following advantages, disadvantages and other factors.

Advantages

Consideration of the Proposed Transaction on a like-for-like basis

Our valuation assessment of HLO before the Proposed Transaction is on a 100% basis and incorporates the application of a full premium for control in accordance with the requirements of RG111. Specifically, ASIC requires the Independent Expert to treat the issue of shares under Section 611(7) of the Corporations Act as if it was a scrip takeover bid.

We note that the AOT Vendors have entered into significant voting restrictions such that they will be capped to an aggregate voting power of 30% for their HLO Shares[3] in conjunction with any resolutions relating to the election or removal of a Merged Entity Board member as long as:

- The AOT Vendors hold between 30% or more, and less than 50% of the votes attached to HLO Shares; and

- No other shareholders of HLO have an interest in more than 20% of the votes attached to HLO Shares.

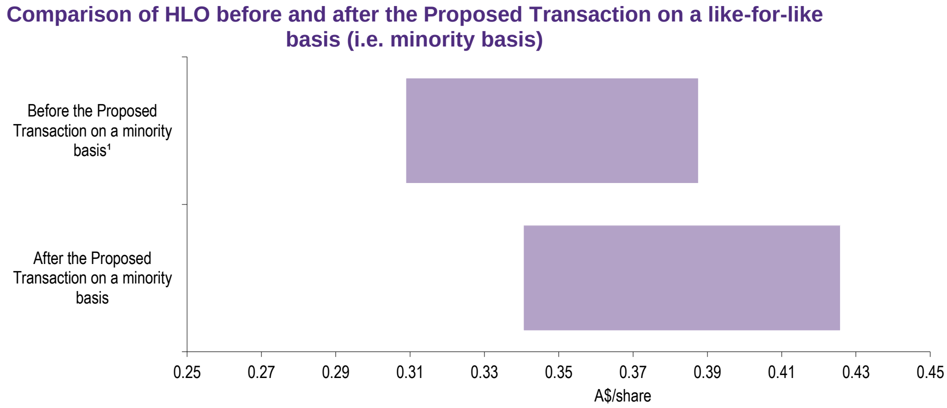
In our opinion, this voting restriction, in conjunction with the significant interests in HLO held by Qantas, CVC and Sintack Pty Ltd ("Sintack") will diminish the ability of the AOT Vendors to exercise control over the Merged Entity Board.

In addition, in our opinion, the circumstances of the minority shareholders will not change substantially following completion of the Proposed Transaction. Qantas currently holds 29% of the share capital and it is currently a major supplier of products, services and personnel to HLO under various agreements ("Qantas Contracts"). The Qantas Contracts are particularly valuable to HLO as it represents a significant component of revenue and also contains a change of

[3] Against an effective interest of 40%.

control provision customary for this type of contract. Even before the Proposed Transaction, it is unlikely that a change of control of HLO will occur without Qantas approval.

Based on the above discussion, we believe it is appropriate to also illustrate to the minority shareholders a comparison of the value per share of HLO before and after the Proposed Transaction on a like-for-like basis (i.e. minority basis).



Note (1): The value of an HLO Share before the Proposed Transaction on a minority basis is calculated by applying a minority discount of approximately 23% to the value of an HLO Share before the Proposed Transaction on a control basis. This is the same minority discount we have adopted to calculate the value of an HLO Share after the Proposed Transaction on a minority basis. For further refer to Section 9.1.

As set out on the graph above, the Proposed Transaction is value accretive for the Non-Associated Shareholders on a like-for-like basis as they will be able to share in the potential synergies expected to be realised after completion.

Stronger and more integrated business than HLO on a standalone basis

The Proposed Transaction will create an enlarged entity which should be better positioned to compete in the marketplace, grow its market share and withstand increasingly challenging market conditions due to the following:

- **Growth prospects** – AOT operates predominately in the inbound sector which has benefited from favourable market conditions over the last few years with low fuel prices, a weak Australian dollar and improving economic conditions in key overseas markets such as the United States, the United Kingdom and New Zealand[4]. International aviation seat capacity to Australia, a critical KPI for the inbound travel industry, grew by circa 10% in the last two years. This growth was compounded with a material increase in the load factor[5] which has supported strong inbound travel services. This is in contrast to the outbound sector, HLO's key market, which has in turn been adversely impacted by the weak exchange rate, volatile domestic consumer sentiment, and substantial competition from global online travel service providers and the vertical integration of travel suppliers.

  Going forward, the inbound sector is expected to continue to lead growth (5.9% over 2015-16) in the travel industry. This is anticipated to be supported by the continuation of favourable

[4] New Zealand is Australia's largest international visitor market by arrivals and has experienced solid growth over recent years with increases in household consumption, low inflation and declining unemployment rates.
[5] Passenger load factor, or load factor, measures the capacity utilisation of public transport services like airlines, passenger railways, and intercity bus services. It is generally used to assess how efficiently a transport provider "fills seats" and generates fare revenue.

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market conditions, and substantial increases in international travellers to Australia from the rising middle-class of emerging neighbouring countries such as China[6] and India. Growth in inbound visitor arrivals to Australia is forecast to continue at 5.9% in FY16 and 5.6% in FY17.

- **Stronger financial performance of the Merged Entity** – As set out in Section 5.3.1 of this report, AOT has historically generated a robust financial performance with strong growth. The EBITDA[7] before exceptional items ("Adjusted EBITDAI") has increased from $12.6 million in FY14 to $14.4 million in FY15. In addition, the Company's financial year to date ("YTD") performance is exceeding its YTD budget. AOT has also historically generated materially higher margins than HLO which will strengthen the financial performance of the Merged Entity as set out in the following table.

Comparison analysis	HLO	AOT	Merged Entity Pro-forma[1]
FY14			
TTV (A$'m)	4,861.0	323.9	5,184.9
Adjusted revenues (A$'m)	291.2	45.5	336.7
Adjusted revenues/TTV margin (%)	*6.0%*	*14.1%*	*6.5%*
Adjusted EBITDAI (A$'m)	40.1	12.6	52.6
Adjusted EBITDAI/ net revenues margin (%)	*13.8%*	*27.7%*	*15.6%*
FY15			
TTV (A$'m)	4,696.2	368.5	5,064.7
Adjusted revenues (A$'m)	278.8	54.9	333.7
Net revenues/TTV margin (%)	*5.9%*	*14.9%*	*6.6%*
Adjusted EBITDAI (A$'m)	27.0	14.4	41.4
Adjusted EBITDAI/ net revenues margin (%)	*9.7%*	*26.1%*	*12.4%*

Note (1): Simple aggregation of HLO and AOT figures. We note we have not considered any intercompany adjustments.
Note (2): Above calculations are subject to rounding differences.
Source: EM and GTCF calculations

- **An enhanced wholesale platform** – The combined wholesale operations of HLO and AOT may give the Merged Entity greater ability to negotiate improved commercial arrangements and allocation of inventory from airline, accommodation and other suppliers. For example, HLO may be better positioned to negotiate travel and land packages with the major providers and pass these benefits to its retail franchise and affiliate customers.

- **Increased scale** – The Proposed Transaction will increase the scale and product range of HLO which should allow the Merged Entity to enhance its competitive positioning in the marketplace. This should result in significant long-term benefits and greater stability for the enlarged group, its staff, franchisees and affiliate retail agencies, suppliers and other trading partners.

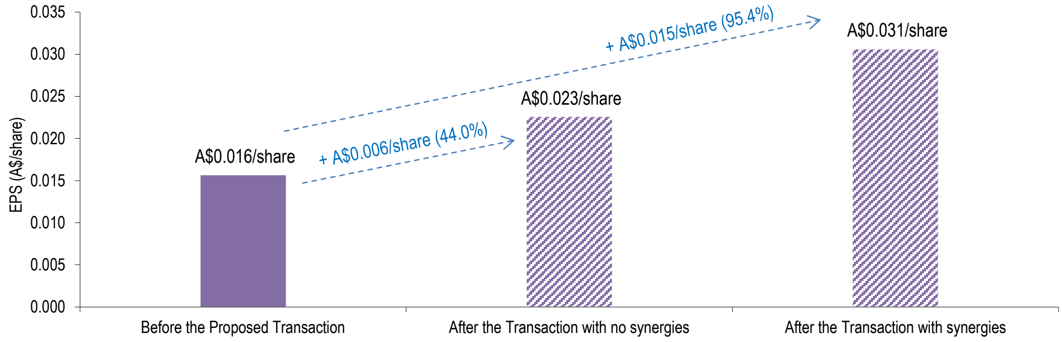
- **Government relationships** – Both businesses have strong relationships with the public sector. HLO is currently appointed as the sole provider of travel management services to the Whole of Australian Government consisting of approximately 142 government agencies, and AOT is the sole service provider of domestic hotel accommodation services for the Australian Federal Government consisting of approximately 94 government agencies. The combination of the two businesses in the enlarged group should enhance its competitive positioning and the Merged Entity's ability to secure additional market share in the public sector.

[6] In particular, we note that Chinese tourists' arrivals in Australia are expected to grow by circa 15% in FY16.
[7] Earnings before interest, tax, depreciation and amortisation.

Increased earnings per share

Given the greater profitability of AOT compared with HLO as outlined in the table above, the Proposed Transaction will be immediately earnings per share ("EPS") accretive for the Non-Associated Shareholders as illustrated in the following graph.

Earnings per share comparison analysis based on actual FY15 normalised NPAT



Source: GTCF calculations
Note (1): Assuming 100% of the synergies are realised immediately and without considering one-off implementation costs.

The key underlying assumptions adopted in the calculations of the EPS are outlined below:

- HLO's normalised NPAT based on actual FY15 results.

- AOT's normalised NPAT based on actual FY15 results.

- Synergies calculated based on the assessed potential synergies of approximately A$7.6 million (EBITDA basis) as set out in the Explanatory Memorandum and adjusted for tax. We note that our calculation is undertaken on a pro-forma basis and assuming that the synergies will be achieved immediately and HLO will not incur one-off implementation costs.

However, we note that the current low EPS of HLO is adversely impacted by the recent large unusual capital expenditure, and related depreciation and amortisation. This is driven by the implementation of the business transformation program and restructuring of HLO operations over the last few years. On a normalised level, depreciation and amortisation are expected to be materially lower than the A$13.9 million incurred by HLO in FY15 which will boost EPS of HLO even on a standalone basis and in the absence of the Proposed Transaction.

Cost savings

Based on discussions with the Management of HLO and AOT and a review of the information available, we understand that circa $7.6 million of cost savings on an EBITDA basis have been identified mainly in relation to the removal of duplicate roles and functions. These cost savings are expected to be realised by 30 June 2017 with up-front one-off implementation expenses of circa $2.0 million.

These estimates are based on the detailed review of the potential cost saving areas and a robust risk assessment as to the achievement of those identified cost savings by the Management of

HLO and AOT. As set out in the Notice of Meeting and Explanatory Memorandum, HLO and AOT believe that additional synergies and cost savings may be achieved over time.

We note that in the Explanatory Memorandum released by Jetset Travelworld Limited ("Jetset Travelworld")[8] in July 2010 in conjunction with the merger of Jetset Travelworld and Stella Group Limited ("Stella"), Jetset Travelworld initially estimated pre-tax benefits of at least $10 million to be achieved by 30 June 2012 on an annualised basis. However, as announced by HLO in August 2013, as a result of the combination of Jetset Travelworld and Stella, the Management of HLO ("HLO Management") was able to deliver A$50 million in costs reduction (with implementation costs of circa A$38 million). However, Non-Associated Shareholders should consider this information with caution and they should not take this precedent as an indication that Merged Entity will be able to achieve cost savings and synergies in excess of the amount included in our valuation assessment.

HLO Shareholders share the risk of the Merged Entity not being able to at least deliver the synergies and efficiencies incorporated into our valuation assessment of the Merged Entity. A failure to achieve targeted synergies may have an adverse impact on the operations and financial performance and position of the Merged Entity and the value of its shares. However, based on discussions with the future Management Team of the Merged Entity, they believe this risk is limited and it is materially mitigated by the collaborative and pro-active steps undertaken by all the stakeholders involved to ensure a smooth integration process upon completion of the Proposed Transaction.

Secure a new CEO for HLO

Ms Elizabeth Gaines was appointed the CEO of HLO in March 2014 following the decision of Mr Rob Gurney to step down after only 18 months in the role. On 19 June 2015, HLO announced that Ms Elizabeth Gaines had provided notice of her intention to leave HLO after circa 15 months in the role. As evident from the above, HLO has experienced a high level of turnover in the CEO role over the last few years in a period when the Company needed stability of leadership as it was undertaking a significant repositioning of its brand and restructuring of its operations. If the Proposed Transaction is completed, Andrew Burnes will become the CEO of the enlarged entity. Andrew brings knowledge and expertise in the travel industry to the Merged Entity having operated in the industry as a successful business owner and CEO for several years. Andrew's large shareholding in the Merged Entity should also enhance his alignment with the Non-Associated Shareholders and provide for longer term stability in the role.

Disadvantages

The Proposed Transaction is not fair

Based on the approach required under ASIC RG111, which requires the issue of shares under section 611(7) of the Corporation Act to be treated as a scrip takeover bid, the Proposed Merger is not fair.

Liquidity of the Merged Entity

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[8] Now known as HLO.

Following completion of the Proposed Transaction, the top 5 shareholders (including the AOT Vendors) will increase their collective holding in HLO from approximately 89% to 93% of the issued capital of the Merged Entity. Accordingly, the liquidity and free float of HLO Shares is expected to further reduce from the current levels. However, we note that even before the Proposed Transaction, the depth and liquidity in HLO trading on the ASX was limited with only approximately 6.5% of the free float traded in the last 6 months.

Corporate Governance

Following completion of the Proposed Transaction, the AOT Vendors will hold approximately 40% of the issued capital of the enlarged group. In addition, Andrew and Cinzia Burnes will be appointed Directors of the Merged Entity (out of a total of seven Directors) and Andrew Burnes will hold the position of CEO.

In our opinion this governance structure is not ideal for a listed Company and it is not necessarily conforming to the Australian best corporate governance practice. It may be challenging for the Board to undertake its oversight and evaluation of the CEO functions given the circumstances.

Likelihood of receiving a premium for control in the future

As discussed before, the circumstances of the minority shareholders in relation to the opportunity to receive a premium for control will not change materially before and after the Proposed Transaction. HLO's share register is currently dominated by Qantas (29% of the share capital), CVC (23% of the share capital) and Sintack (20% of the share capital). In addition, we note that Qantas holds the Qantas Contracts[9]. Accordingly, even before the Proposed Transaction, it is unlikely control of HLO will pass without the consent of the 3 major shareholders and of Qantas in particular.

Notwithstanding our comment above, Non-Associated Shareholders should be aware that following completion of the Proposed Transaction the ability of the AOT Vendors to influence the future operations of the Company will increase materially.

Accordingly, the AOT Vendors will be able to influence and drive the outcome of a potential change of control transaction.

Other factors

Premium for control received

In accordance with the requirements of RG111, we have attempted to assess whether or not the Non-Associated Shareholders will receive a premium for control as a result of the Proposed Transaction. The premium for control paid to the Non-Associated Shareholders (if any) depends on the value attributed to HLO Shares before the announcement of the Proposed Transaction and the fair market value of AOT.

[9] Qantas is currently a major supplier of products, services and personnel to HLO under various agreements. The Qantas Contracts are particularly valuable to HLO as it represents a significant component of revenue and also contains a change of control provision customary for this type of contract.

In the table below, we have illustrated the assessed premium for control having regard to the following assumption:

- Value of HLO Shares issued to the AOT Vendors between A$0.30 and A$0.31 (refer to Section 8.9) based on HLO trading prices before the announcement of the Proposed Transaction (scenario 1) and between A$0.40 and A$0.50 (refer to section 8.1) based on our control valuation of HLO before the Proposed Transaction (scenario 2).

- The fair market value of AOT assessed between A$97.5 million and A$119.0 million having regard to the assumptions set out in Section 9.1[10].

Premium for control illustration	**Scenario 1**		**Scenario 2**	
Valuation assessment of AOT				
Maintainable EBITDA of AOT (A$m)	15.0	17.0	15.0	17.0
EBITDA multiple adopted	6.50x	7.00x	6.50x	7.00x
EV of AOT (A$m)	97.5	119.0	97.5	119.0
Valuation assessment of the Consideration paid to the AOT Vendors				
Numeber of shares issued to AOT (Number)	218	218	218	218
Value per share (A$)	0.30	0.31	0.40	0.50
Value of the shares issued (A$m)	65	68	87	109
Cash consideration (A$m)	25	25	25	25
Total value of the consideration (A$m)	90	93	112	134
Difference between value paid and received (A$m)	7.1	26.4	-14.7	-15.0
Premium received by Non-Associated Shareholders	**7.85%**	**28.54%**	**-13.10%**	**-11.19%**

As illustrated in the table above, adopting the trading prices of HLO before the announcement of the Proposed Transaction, our assessment of the fair market value of AOT is at a premium between 7.9% and 28.5% to the value of the consideration paid to AOT.

Conversely, if the control value of HLO before the Proposed Transaction as assessed by Grant Thornton Corporate Finance is adopted in the valuation assessment of the consideration paid to AOT, our assessment of the fair market value of AOT is at a discount between 11.2% and 13.1% to the value of the consideration paid to AOT.

Special value for AOT

We are of the opinion that the completion of the Proposed Transaction may allow AOT to realise some special value which would otherwise not be available to other market participants under the fair market value concept. Specifically, we note the following:

- Almost 50% of AOT wholesale TTV (Sunlover brand) is in relation to travel products sold to HLO wholesale/franchisee network. Given HLO wholesale segment continues to refine its model with a focus on cost management and margin maximisation, there is a tangible risk that

[10] Future maintainable EBITDA of AOT between A$15 million and A$17 million (refer to section 9.2) and EBITDA multiple between 6.5x and 7.0x (refer to section 9.3)

HLO may vertically integrate in the future to provide the travel contents to its network that are currently supplied by AOT.

- Currently A$0.345 million in ATS deferred consideration is outstanding and payable by AOT to HLO. Under the Proposed Transaction, A$0.245 million of the ATS deferred consideration will be adjusted against the Cash Consideration and the remaining A$0.100 million will be treated as an intercompany liability and consolidated to nil on a Merged Entity basis.

In our opinion, it is unlikely that AOT has passed to HLO Shareholders any of these benefits as the takeover contestability of HLO has been limited. Usually a potential bidder is required to pass to the target's shareholders a significant component of its special benefits if the change of control transaction takes place in a highly competitive environment with two or more interested parties.

Potential for adverse reaction from key HLO stakeholders

The Proposed Transaction may trigger adverse reactions from a number of stakeholders, including suppliers and agents. In particular, franchisees may not be supportive of the Proposed Transaction or a new change in the Management Team and they may decide to leave the HLO network. This could have an adverse impact on TTV and the underlying financial performance of HLO. We note that HLO already experienced similar difficulties during the restructuring and consolidation of the franchise network under the HLO banner when several franchisees left the network. This risk is potentially exacerbated by the fact that a large number of the franchising agreements are up for renewal in the short term.

There may also be a more aggressive competitive response from key travel industry participants specifically targeting prime franchisees given transactions of this type, whilst represent an important growth opportunity going forward, they also bring periods of change and uncertainties.

Combined expertise and skills of the boards and management teams

The Merged Entity will enable AOT and HLO to combine the expertise and skills of both sets of boards, management teams and general workforce, and enable the deployment of the most qualified personnel and skills across the two companies. Both Management Teams also have a strong and successful track-record of integrating historical acquisitions which should assist in the post-merger integration.

Increased level of debt

Following completion of the Proposed Transaction and as a result of the payment of the Cash Consideration, the non-current interest bearing liability of HLO will increase from $23.2 million (as at 30 June 2015) to $46.4 million. Whilst the external debt in absolute terms will more than double following completion of the Proposed Transaction, we note that the enlarged HLO will still retain significant headroom above key financial covenants[11].

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[11] Interest cover ratio (EBIT/interest expenses) > 5 times based on pro-forma FY16; Gross Pro-forma Debt as at 30 June/FY16 pro-forma EBITDAI = 1.1 times.

HLO Share price in the absence of the Proposed Transaction

In relation to the potential movements of HLO share price in the absence of the Proposed Transaction, we note the following:

- On 2 September 2015, in response to media speculation, HLO confirmed that it was in discussions with AOT in relation to a potential merger. The share price increased from 30.0c to 33.5c per share on large volume (relatively speaking) for HLO and in the following days increased further to 36c per share.
- On 14 September 2015, HLO announced that it had terminated discussions with AOT in relation to a potential acquisition. Shortly after, trading prices reduced by 20% on very low volumes.
- On 11 November 2015, HLO announced, in response to media speculation, that it had recommenced merger discussions with AOT. The trading prices increased from 30c per share to 31c per share on abnormal large volumes for HLO.
- On 20 November 2015, HLO announced that it had entered into the MIA to effect the Proposed Transaction. The trading prices increased to 41c from 33c (circa 24% increase)

Whilst we are not in a position to predict or anticipate the performance of HLO's share price in the absence of the Proposed Transaction, the trading prices may fall from current levels in the absence of the Proposed Transaction. However, Non-Associated Shareholders should consider the depth and liquidity of HLO Shares is limited and accordingly, small trading volumes may create large oscillations in HLO trading prices.

Escrowed shares

The AOT Vendors have undertaken[12] that until the second anniversary of completion of the Proposed Transaction, they will not dispose of any HLO Shares held following completion.

This will effectively slightly decrease the fair market value of the Scrip Consideration received by the AOT Vendors given they are not able to dispose of them or acquire an additional interest in HLO for circa 2 years. This value reduction has not been quantified in our valuation assessment of the Merged Entity as it refers to the specific circumstances of the AOT Vendors.

Prospect of a superior offer or alternative transaction

Whilst HLO has agreed not to solicit any competing proposals or to participate in discussions or negotiations in relation to any competing proposals during the exclusivity period, there are no impediments to an alternative proposal being submitted by potential interested parties. The transaction process should act as a catalyst for potential interested parties and it will provide significant additional information in the Notice of Meeting and Explanatory Memorandum and Independent Expert's Report to assess the merits of potential alternative transactions.

[12] Subject to limited exceptions mainly in conjunction with a change of control transaction for HLO.

If an alternative proposal on better terms were to emerge, it is expected that this would occur prior to the shareholders meetings convened to consider the Proposed Transaction. We note that there will be a significant time-lag between the dispatching of the documentation to HLO Shareholders and the shareholders meeting. In the event that an alternative offer on better terms emerges, shareholders will be entitled to vote against the Proposed Transaction or the shareholders meeting will be adjourned.

In our opinion, given the level of complementarity of the two businesses with limited overlap, the strategic value of the Proposed Transaction for both parties and the support of major shareholders (including the AOT Vendors, CVC and Qantas), it is unlikely that a superior proposal will emerge.

Substantial goodwill balance after completion of the Proposed Transaction

The pro-forma balance sheet of the Merged Entity (refer to section 5.5.4 of the Explanatory Memorandum) recognises a goodwill arising from the Proposed Transaction of A$102.6 million which will be tested for impairment on an annual basis in accordance with the accounting standard. The large goodwill balance carried by the Merged Entity post completion will increase the risk of potential goodwill impairment should the financial performance of the Merged Entity soften going forward.

Implications if the Proposed Transaction is not implemented

If the Proposed Transaction is not implemented, it would be the current Directors' intention to continue operating HLO in line with its objectives. HLO Shareholders who retain their shares would continue to share in any benefits and risks in relation to HLO's ongoing business. However, we note the following:

- HLO will need to resume the search for a new CEO.
- HLO may be required to pay a break fee of A$0.5 million.
- The AOT Vendors may seek to divest its current 10.2% interest in HLO. Given the limited free float of HLO Shares, this may result in a material overhang[13] effect and put downward pressure on trading prices.
- AOT will continue to operate as a separate business and as a competitor to HLO in some segments of the market.

Substantial shareholders' intentions

Qantas and CVC, who represent in aggregate approximately of 52% of HLO Shares, have indicated their intentions to vote in favour of the Proposed Transaction in the absence of a superior proposal emerging.

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[13] Stock overhang is a phrase used to describe a sizeable block of shares which, if it were to be released in the market, would put downward pressure on prices.

Directors' recommendations and intentions

In the absence of a superior proposal and subject to the Independent Expert opinion that the Proposed Transaction is reasonable to Non-Associated Shareholders, the HLO Directors unanimously recommend that all Non-Associated Shareholders vote for the Proposed Transaction.

All HLO Directors intend to vote for the Proposed Transaction in respect of the HLO Shares that they own or control in the absence of a superior proposal.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Transaction is **Reasonable** to the Non-Associated Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is **NOT FAIR BUT REASONABLE** to the Non-Associated Shareholders. In the absence of a superior alternative proposal emerging, we are of the opinion that the advantages of the Proposed Transaction outweighs the disadvantages and accordingly, we believe that it is in the **best interest** of the Non-Associated Shareholders to vote in favour of the Proposed Transaction.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the Proposed Transaction is a matter for each HLO Shareholder to decide based on their own views of value of HLO and expectations about future market conditions, HLO's performance, risk profile and investment strategy. If HLO Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

HARLEY MITCHELL
Director

18 December 2015

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No. 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by HLO to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Transaction. This report is included in HLO's Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in our report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from HLO a fee of A$160,000 plus GST, which is based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of this report. Our directors and employees providing financial services receive an annual salary and, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of HLO in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with HLO *(and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.*

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of experts" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Transaction

1.1 Key terms of the Proposed Transaction

The key terms of the Proposed Transaction are outlined below:

- *The Purchase Price* – HLO will acquire AOT on a debt-free and cash-free basis. Accordingly, the Purchase Price will consist of the Cash Consideration and Scrip Consideration as follows:

  – Cash Consideration: A$25 million in cash subject to certain completion adjustments in relation to working capital and net debt.

  – Scrip Consideration: 218,700,000 fully paid shares in HLO on a pre-consolidation basis and representing approximately 33.2% interest in the Merged Entity. The AOT Vendors have also entered into an escrow agreement with HLO under which the AOT Vendors have agreed, subject to certain exceptions, not to dispose of any of their Scrip Consideration shares until the Merged Entity releases its full year audited accounts for the financial year ended 30 June 2017.

- *Share Consolidation* – immediately prior to completion of the Proposed Transaction, HLO Shares will be consolidated on a six for one basis. This will result in the total number of outstanding shares in HLO before the Proposed Transaction reducing from 440,330,198 to 73,388,367, and the Scrip Consideration to reduce from 218,700,00 to 36,450,001 on a post-consolidation basis.

- *Board Composition* – following completion of the Proposed Transaction, the Board of the Merged Entity ("Merged Entity Board") will be restructured to comprise seven directors as follows:

  – Independent chairman.

  – Independent non-executive director.

  – A nominee of each of the following substantial shareholders in the Merged Entity: Qantas, Sintack, CVC, and Mr Andrew Burnes and Mrs Cinzia Burnes. Mr Andrew Burnes will also be appointed as the Chief Executive Officer ("CEO") and Mrs Cinzia Burnes as an Executive Director of the Merged Entity.

- *Board Governance* – the activities of the Merged Entity Board will be conducted in accordance with the following governance principles:

  – The audit, remuneration and nominations committees will be chaired by independent non-executive directors.

  – The Merged Entity Board has and retains the sole right to appoint and replace the managing director, the chief financial officer, the head of internal audit and the company secretary of the Merged Entity.

  – There will also be a cap at 30% on the voting power of the AOT Vendors in regards to the election or removal of a director to the Merged Entity Board under certain circumstances.

- *Standstill* – for two years after the completion of the Proposed Transaction, the Vendors must not acquire any additional interest in the Merged Entity provided that no other party's interest in the Merged Entity increases to more than 20%, Andrew Burnes is the CEO of the Merged Entity and the Scrip Consideration remains in escrow.

- *Break fee* – unless completion occurs a break fee of A$0.5 million will be payable by HLO to AOT in the event that:

  - HLO is in breach of any material clause of the MIA; or

  - HLO pursues an alternative proposal resulting in the Proposed Transaction not completing; or

  - The majority of HLO Directors recommend against the Proposed Transaction.

1.2 Key conditions of the Proposed Transaction

The Proposed Transaction is subject to a number of conditions, including but not limited to the following:

- Approval by the Non-Associated Shareholders.

- Westpac Banking Corporation ("Westpac") to give HLO its written consent to the Proposed Transaction. Consent was received on 17 November 2015.

- The loan[14] from AOT to the AOT Vendors has been repaid in full by the AOT Vendors ("Related Party Loan"). We note HLO, AOT and the AOT Vendors have agreed that the Related Party Loan will be extinguished by AOT subject to completion of the Proposed Transaction[15].

- Any HLO Shares held by AOT are transferred to a third party such that, as at completion of the Proposed Transaction, AOT does not hold any shares in HLO. We understand that it has been agreed that AOT will transfer 13,980,629 shares in HLO to the AOT Vendors at A$0.36/share for a total value of A$5.03 million which will form a part of the Related Party Loan to be extinguished by AOT on completion of the Proposed Transaction.

- No prescribed occurrences.

- Other conditions customary of a transaction of this type.

Refer to section 2.2.3 of the Explanatory Memorandum for further details.

[14] Related Party Loan is inclusive of the consideration payable by the AOT Vendors for the transfer of the 13,980,629 shares in HLO from AOT.
[15] We note that the AOT Vendors have provided the typical warranties and indemnities to HLO in relation to potential tax liabilities in relation to matter occurred before completion.

2 Purpose and scope of the report

2.1 Purpose

Item 7 of Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and RG 111 issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Item 7 of Section 611 of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated shareholders. The directors may satisfy their obligations to provide such an analysis by either:

- Commissioning an independent expert's report; or

- Undertaking a detailed examination of the proposal themselves and preparing a report for the non-associated shareholders.

If the Proposed Transaction is completed, the AOT Vendors will increase their collective shareholding interest in the Company from approximately 10.2% up to 40.0%. Accordingly, the Directors have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

Chapter 10 of the ASX Listing Rules – Transactions with persons in a position of influence

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if the company proposes to acquire or dispose of a substantial asset from a related party or a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX.

In regards to the Proposed Transaction, we note that the AOT Vendors are "substantial shareholders" with over 10% interest in HLO, and the AOT shares to be acquired by HLO represents more than 5% of the equity interest of HLO as at 30 June 2015 and therefore it constitutes an acquisition of a "substantial asset" for the purposes of ASX Listing Rules.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting and Explanatory Memorandum be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

Accordingly, the HLO Directors have requested Grant Thornton Corporate Finance to prepare an independent expert's report stating, whether in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purposed of ASX Listing Rule 10.1.

Chapter 2E of the Corporation Act

Section 208 of Chapter 2E of the Corporations Act requires a company to seek shareholder approval before giving a financial benefit to a related party unless the benefit falls within an exception provided for in section 210 of the Corporations Act.

Regulatory Guide 76 "Related party Transactions" ("RG 76") states that it is necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E of the Corporations Act where:

- The financial benefit is difficult to value.
- The transaction is significant from the point of view of the entity (see RG 76.112).
- The independent directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

As set out in the Notice of Meeting and Explanatory Memorandum, HLO and its legal adviser have conservatively determined that the issue of the 218 million HLO Shares and the payment of the cash consideration to the AOT Vendors as a result of the Proposed Transaction may result in the giving of a financial benefit to a related party (AOT Vendors).

Accordingly, the HLO Directors have requested Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purpose of Chapter 2E of the Corporations Act.

We note that RG111 provides that an expert needs only conduct one analysis of whether the transaction is fair and reasonable, even if the report has been prepared for both section 611(7) of the Corporations Act and ASX Listing Rules.

2.2 Basis of assessment

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 111, which states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. RG 111 does not however, provide any direct guidance on transactions under Chapter 10 of the ASX Listing Rules. Accordingly, we have assessed the Proposed Transaction with reference to Section 640 of the Corporations Act.

RG 111 states that:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.
- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
  - The offeror's existing entitlement, if any, in the shares of the target company.
  - Other significant shareholding blocks in the target company.
  - The liquidity of the market in the target company's securities.
  - Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
  - Any special value of the target company to the offeror, such as particular technology and the potential to write off outstanding loans from the target company.
  - The likely market price if the offer is unsuccessful.
  - The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Proposed Transaction is fair to the Non-Associated Shareholders by comparing the fair market value of HLO Shares before the Proposed Transaction on a 100% control basis with the fair market value of HLO Shares after the Proposed Transaction on a minority basis.

In considering whether the Proposed Transaction is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The implications to HLO and the Non-Associated Shareholders if the Proposed Tr ansaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders.

For the purpose of Chapter 2E of the Corporations Act and ASX Listing Rule 10, we note that paragraph 63 of RG 111 states that "an expert needs only conduct one analysis of whether the transaction is 'fair and reasonable' even if the report has been prepared for a reason other than the transaction being a related party transaction (eg if item 7 of s611 approval is also required)."

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 "Independence of experts" ("RG 112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Memorandum dated on or around 18 December 2015 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Extraordinary General Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual HLO Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

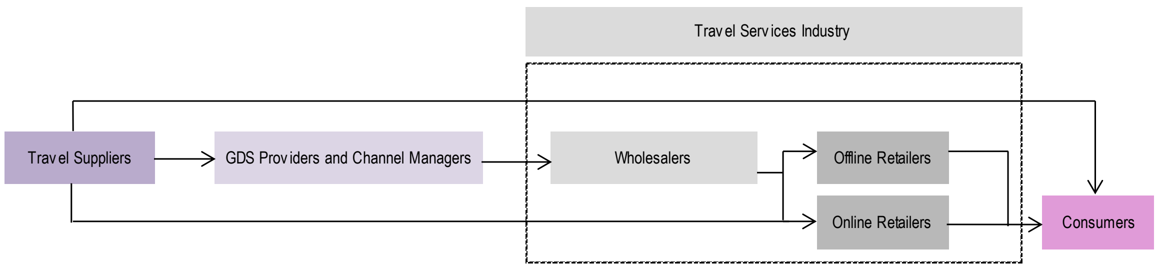
The decision of whether or not to approve the Proposed Transaction is a matter for each HLO Shareholder based on their own views of value of HLO and expectations about future market conditions, HLO's performance, risk profile and investment strategy. If HLO Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

3 Profile of the industry

HLO operates as an integrated travel services company comprising retail travel businesses, air ticket consolidation, wholesale, corporate and online operations. AOT is a travel services provider focusing on the provision of inbound travel management and distribution. Both companies operate mainly in Australia. Accordingly, in the section below we have provided an overview of the travel services industry in Australia.

3.1 Introduction

The travel services industry comprises wholesalers and retail operators providing travel information and reservation and booking services for transport, accommodation and tourist attractions to personal and business travellers. The industry uses a wide variety of platforms or distribution channels to provide its services including 'offline' retail outlets, websites and calls centres. The graph below provides a simplified illustration of the travel distribution model underlying the industry.



In relation to the above, we note the following:

- **Travel Suppliers:** Travel suppliers consist of providers of accommodation, transportation and tourist attractions. This includes airlines, hotels, and cruise and tour operators.

- **Global distribution systems ("GDS") Providers and Channel Managers:** GDS providers and channel managers essentially act as travel booking distributors that use electronic platforms to provide access to real time inventory availability, pricing and booking functionality.

- **Wholesalers:** The wholesale segment links the travel suppliers/GDS providers & channel managers with the retail segment. Based on their knowledge of the type of product that would appeal to a particular market, wholesalers generally negotiate volume based discounts from suppliers to create packages that can be sold to travel agents and consumers. In more specific roles, wholesalers operate as airline sales agents, buying airline tickets in bulk at a discounted price and selling them through their relationships with travel agents and consumers.

- **Retailers:** The retail segment represents the largest part of the travel services industry. International ticketing and international tours are the key product offerings for the segment. The segment can be broadly categorized into offline retailers and online retailers.

  - *Offline retailers* – the offline retail segment consists of traditional brick-and-mortar travel agencies as well as travel suppliers selling directly to the consumers. The travel agents earn revenues on the products they sell in the form of commissions and override commissions (paid by suppliers in the event volume targets are met or exceeded). In the case of corporate clients however, the trend has moved towards a fixed fee-based service model rather than a commissions model.

- *Online retailers* – The online retail segment is an alternative distribution channel which offers consumers the convenience of searching for and booking their travel plans over the internet. The segment consists of both local and regional operators as well as large global operators and can be categorized along the following lines:

  - *Travel supplier website:* a website operated by the travel supplier through which a consumer can book directly with the supplier (e.g. qantas.com).

  - *Travel agency website:* a website operated by a travel agency, through which a consumer can access travel information, a wider range of products than a single travel supplier website and make bookings with the travel agency through the website (e.g. helloworld.com.au).

  - *Metasearch website:* a website which essentially acts as an aggregator and allows the consumer to search across multiple online travel agent and travel supplier websites at once. The bookings are either made directly or consumers are re-directed to the underlying website (e.g. kayak.com). While travel agency websites generate their revenue from commissions, metasearch websites generate revenue either from online advertising (generally paid search advertising from either online travel agents or the travel suppliers themselves).

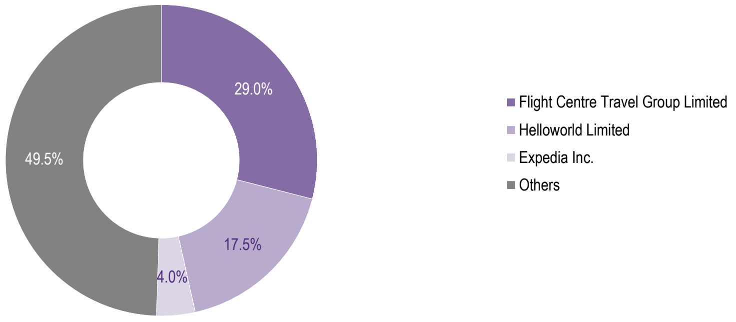
The total tourism spend in Australia on air travel, accommodation services, vehicle rental and travel agency commission is estimated to be $52.0 billion, which consists of $26.4 billion of domestic expenditure (household, business & government), $16.0 billion of outbound expenditure (i.e. Australians travelling overseas) and $9.5 billion of inbound expenditure (i.e. foreigners travelling to Australia)[16].

3.2 Market participants

The Australian travel services industry is in the mature phase of its life cycle with a large number of both online and bricks-and-mortar establishments competing for market share. Concentration in the industry has increased substantially over the past five years with the growth of franchise chains, and consolidation amongst the major offline and online operators to expand scale and scope. In 2015, the top two market participants account for more than 40% of industry revenue[17]. The following chart illustrates the market share (in terms of revenue) of the major operators in the Australian travel services market.

[16] Venture Advisory – Total Addressable Market (June 2015) – Total tourism expenditure in Australia during FY14.
[17] IBISWorld -Travel Agency and Tour Arrangement Services in Australia (July 2015).

Australian travel services industry- Market share breakdown (FY15)



Source: IBISWorld

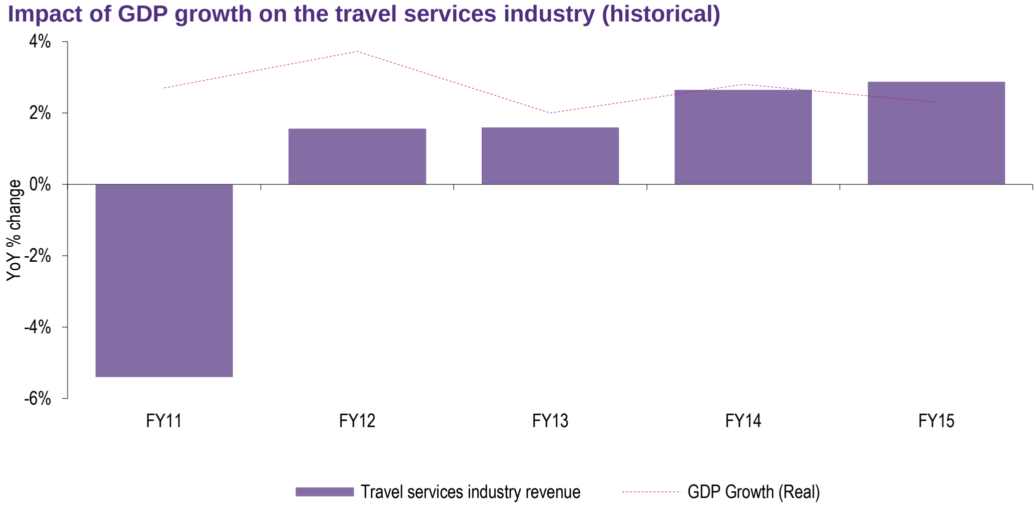
Flight Centre is the dominant market player with approximately 29% of the Australian travel services market. The company is active in the industry through three segments: leisure, business travel and online bookings, and it primarily operates stores via a wholly-owned company model. HLO has approximately 18% of the market share and employs the franchise model. Under the franchise model, retail stores are independently owned and managed. Small businesses generally join franchise networks to gain access to products and booking systems.

A large portion of the market is operated by small, independent agents. Over the last five years, the regulatory barriers for potential entrants have reduced, following reforms to the travel agent regulations in late 2012. These reforms have removed the licensing requirements for travel agents, and abolished the need to lodge returns with the Travel Compensation Fund[18].

3.3 Key demand determinants and recent performance of the industry

Over the last 5 years, the Australian travel services industry has experienced challenging conditions, with industry revenue growth rate averaging approximately only 2.2% per annum from 2011 to 2015 as illustrated in the following chart.

Impact of GDP growth on the travel services industry (historical)



Source: IBISWorld, Business Monitor International

[18] The Travel Compensation Fund was established in the 1980s to monitor the financial standards set for the travel agency industry, acting as a mandatory/bankruptcy insurance scheme to protect and compensate consumers who have lost money due to travel agency insolvency or fraud. Prior to deregulation, membership of the Travel Compensation Fund was compulsory in all states and territories except the Northern Territory, with members required to submit annual reports demonstrating that they have met financial criteria and can be subject to field audits.

In relation to the above, we note that the tourism industry in Australia can be broadly segmented between domestic tourism, inbound tourism and outbound tourism. While demand determinants tend to overlap for the three segments, their importance for each varies. The key demand determinants for each segment in turn have a bearing on the travel service establishments operating within the industry.

- **Domestic Tourism:** Domestic tourism accounts for the majority of the tourism expenditure in Australia. It covers both overnight travel and day trips within Australia by Australians. The key demand determinants for domestic tourism are as follows:

  - *Consumer sentiment* –Travel is a discretionary expenditure item and thus changes in consumer sentiment and real household discretionary income majorly impact travel decisions. In this regard, we note that below-trend GDP growth rate and volatility in the global equity markets has led to subdued consumer sentiment in 2015[19]. This has weighed heavily on the demand for domestic tourism. Domestic visitor nights, for the purpose of leisure and visiting friends and family, stood at 227.7 million in 2015, witnessing virtually no growth year-on-year (227.46 million in 2014). Further, the decline in average expenditure per trip has constrained growth in the overall domestic leisure tourism spending[20]. However, going forward domestic visitor nights, for the purpose of leisure and visiting friends and family, are expected to increase by 2.8% in 2016 to total 234.05 million[21].

  - *Business sentiment* – For a number of travel agencies, outsourcing of travel arrangements by the private sector and the government represents a substantial source of revenue. Business travel expenditure is highly cyclical and reflects changes in business conditions. During an economic slowdown, the demand for travel reduces as it is often substituted with more cost effective measures such as videoconferencing.

    With the boom in the resources sector in 2012, business travel expenditure increased significantly. However, the strong increase was relatively short-lived and since 2013, growth in the business travel segment has been subdued. Data from the Reserve Bank of Australia's business liaison program[22] suggests that demand for domestic business travel remain constrained, as many firms, particularly those in the resources sector, and much of the public sector, continue to adopt a cautious approach to discretionary spending[23]. Going forward, domestic visitor nights for the purpose of business and employment are forecasted to increase by 6% in 2016 to total 69.91 million[24].

- **Inbound Tourism:** Inbound tourism consists of short-term visitor arrivals to Australia for leisure and business. In 2015, contrary to the lacklustre performance of domestic tourism, inbound visitor arrivals stood at 7.10 million, an increase of 7% from the previous year. Going

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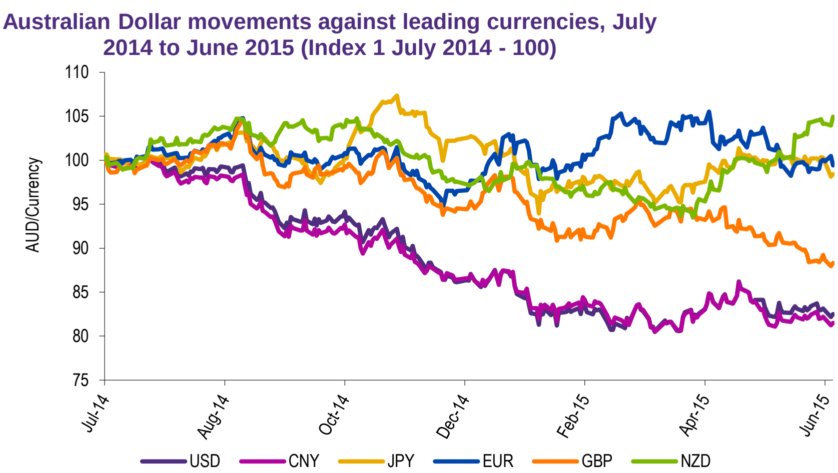
[19] The real household discretionary income saw a marginal increase of 1.5% in 2015, whereas the Westpac-Melbourne Institute Consumer Sentiment Index remained fairly volatile, trading below 100 (i.e. pessimists outweigh optimists) for most of 2015. The Westpac-Melbourne Institute Consumer Sentiment Index reflects the consumers' evaluation of their household financial situation over the past year and the coming year, anticipated economic conditions over the coming year and the next five years, and buying conditions for major household items.
[20] Tourism Research Australia – Tourism Forecasts (2015).
[21] Tourism Research Australia – Tourism Forecasts (2015).
[22] While data from the National Visitor Survey by Tourism Research Australia suggests a strong recovery in visitor nights for the purpose of business in 2015, recent methodological changes affecting the survey results make it difficult to assess whether this represents a reliable signal of the growth in the travel industry or is a result of the changes in the sampling methods used in the survey.
[23] Insights from the Australian Tourism Industry – Reserve Bank of Australia (March 2015).
[24] Tourism Research Australia – Tourism Forecasts (2015).

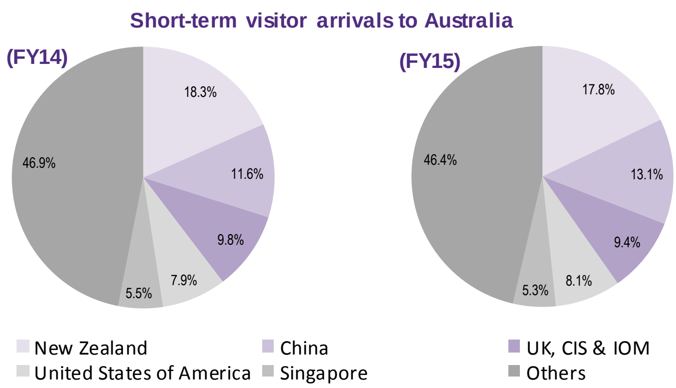
forward inbound arrivals are expected to grow by 5.9% to 7.5 million in 2016. The key demand determinants for inbound tourism are as follows:

- *Exchange rate:* The exchange rate has a significant impact on inbound tourism. All else being equal, a depreciating Australian dollar decreases the cost of inbound travel to Australia and creates a more favourable environment for inbound tourism. Post the global financial crisis and on the back of a resource boom, the Australian dollar gained strength against most major currencies. This led to an unfavourable demand scenario for inbound tourism. With the falling strength of the Australian dollar since mid-2013, there has been a greater increase in short-term visitors to Australia. From the chart below we can observe the depreciation of the Australian dollar against most leading currencies in FY15. However, the proportion of visitors from New Zealand, who make up Australia's largest inbound tourism market, was lower (17.8% in FY15 as compared to 18.3% in FY14) on account of the Australian dollar being stronger than the New Zealand dollar for most of 2015.



Source: IBISWorld

- *Travellers from emerging economies:* The increase in disposable incomes in emerging economies, especially China has increased the flow of inbound tourism for Australia. We observe from the chart below that the number of arrivals from China grew by 20% between 2014 and 2015 to make up 13% of all arrivals in FY15.



Source: Australian Bureau of Statistics

- **Outbound Tourism:** Outbound tourism consists of short-term departures of resident Australians. In 2015, outbound resident departures stood at 9.24 million, an increase of 3% from the previous year. Going forward the inbound visitor arrivals are forecast to increase to 3.2% to 9.5 million in 2016. The key demand determinants for outbound tourism are as follows:

  - *Price competition amongst travel suppliers*: Oftentimes, price competition amongst operators in the airline and hospitality industries leads to more economical holiday packages being available and this may stimulate the demand for outbound travel.

  - *Exchange rate:* As discussed above, while a weaker Australian dollar is favourable for inbound travel, the opposite is true for outbound tourism. The recent depreciation of the Australian dollar has increased the cost of international travel which makes holidaying outside Australia a less attractive option as compared to a domestic holiday. Consumers have been observed to respond by choosing a domestic holiday location, reducing their holiday spend (such as selecting cheaper modes of transport) and/or delaying the time of their holiday.

  - *External factors:* External factors such as outbreak of a disease, terrorist attacks and natural disaster reduce the demand for travel as travellers may delay their travel plans for a later time.

3.4 Outlook

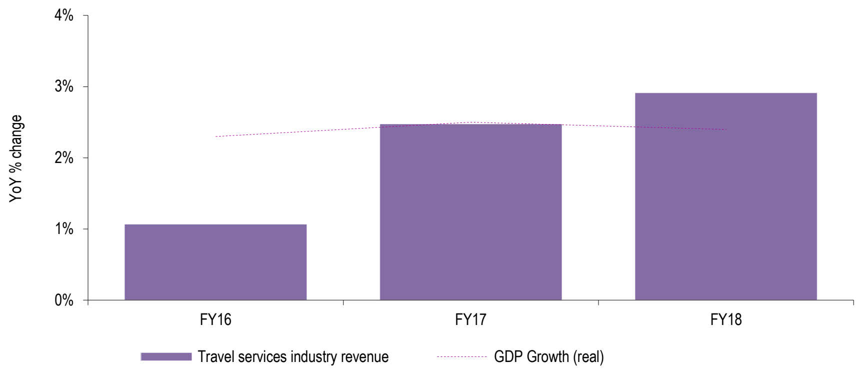
The Australian economy is in a transitionary phase as it moves away from resource-investment led growth towards a broader based model of growth. The economy is expected to grow by 2.3% and 2.5% in 2016 and 2017 respectively[25]. The prevailing record low interest levels in the economy are expected to provide households with additional income to spend on discretionary items such as travel. However, the consumer sentiment index, which is below the 100 mark as of September 2015, is expected to remain volatile amid uncertainty in global equity markets and speculation of an economic slowdown in China.

The Australian dollar, a key demand determinant for tourism, is expected to face downward pressure against a number of leading currencies due to the below-trend GDP growth in Australia's economy and the continued pressure on Australia's terms of trade.[26]

Give the above scenario the forecasted growth in the travel services industry revenue is illustrated in the chart below.

[25] The forecasted growth in Australia's real gross domestic product as per Business Monitor International (November 2015).
[26] Commonwealth Bank – Australian Dollar forecasts (July 2015).

Expected growth in travel services industry's revenue and GDP



Source: IBISWorld, Business Monitor International

However, profit margins are expected to be under pressure in the industry due to price competition and increasing modes of service delivery. Some of the key future trends for the travel services industry are as follows:

- **Shift to online:** In order to attract customers more directly, travel suppliers such as airline companies, hotels and other travel-service providers have developed their own websites with online booking facilities. Beyond providing suppliers with a more effective distribution platform, online channels have enabled suppliers to better manage their inventory and to shift away from more expensive distribution channels. Technology start-ups along with traditional brick-and-mortar travel agencies have also adopted the online travel services platform. The online travel booking experience has enabled the consumer to access a broader offering of travel and accommodation options, increased transparency in prices and given the user access to research and reviews. The success of local online travel agents has attracted the larger global players into the market which has led to consolidation and increased competition. In July 2014, Expedia Inc., a global online travel company, acquired Wotif.com with the purpose of gaining access to the Australian tourism market.

  The share of bookings for overseas holiday or leisure trip through brick-and-mortar travel agents has decreased from 55% in December 2011 to 47% in March 2015. At the same time, there has been a steady increase in bookings through the online travel booking websites as well as bookings directly from travel suppliers (airlines and hotels). The shift to online has been most pronounced in domestic tourism (household), where brick-and-mortar travel agencies have only 25% of the market share[27].

- **Industry consolidation**: Due to the low barriers to entry, the number of establishments within the travel services industry has increased from 2,800 in 2011 to more than 3,500 in 2015[28]. As a result, price competition has increased, especially in the leisure travel segment as travel agents seek to offer more competitive prices to their customers by reducing their commissions. However, while there has been a significant expansion in the number of establishments operating in the industry, the majority of the market share is still consolidated with a few large travel agents. Going forward, significant restructuring and consolidation is expected to occur in the industry. The impact of price competition and threat from the

[27] Venture Advisory – Total addressable market.
[28] IBISWorld -Travel Agency and Tour Arrangement Services in Australia (July 2015).

internet-based travel booking options will adversely impact the margins of smaller brick-and-mortar travel agents, who will be forced to either exit the industry or sell out to larger travel agencies. Further, the pressure on profit margins is likely to prompt industry operators to move to a more profitable fee-for-service system, especially for domestic travel. Traditional brick-and-mortar agencies will rely on seeking out corporate accounts and developing products with higher profit margins. Vertically integrated travel agencies that combine wholesale and retail functions will be best suited to benefit from these changes.

3.5 New Zealand travel services market

Given that HLO derived approximately 8% of its FY15 revenue from New Zealand, we have provided a brief note of this market below.

Much like the Australian market, the travel services market in New Zealand faced a slowdown during the global financial crisis as business activity slowed down and the GDP contracted. The tourism industry has seen recovery in recent years mainly on account of tourists from Australia, which forms the largest group of international travellers to New Zealand, twice as many as travellers from any other country.

The New Zealand travel services market is similar to the Australian market in its characteristics, product segmentation, demand drivers and competitiveness. However, one notable difference is a higher penetration rate of the on-line market for domestic travel in New Zealand as compared to Australia.

4 Profile of HLO

4.1 Introduction

HLO is an integrated provider of domestic and international travel services and products. HLO acts as a franchisor of travel agency networks, as well as owns and operates a number of wholesale travel businesses, air ticket consolidation, airline representation and travel management service businesses. The Company's franchise network consists of approximately 1,700 travel agents across Australia and New Zealand.

HLO operates primarily in Australia with limited operations in NZ, the US, Asia, and the UK.

4.2 Company history

The Company has expanded materially through a combination of organic growth and acquisitions. In particular, we note in September 2010 Jetset Travelworld completed a merger of equals with Stella Travel Services in a A$220 million deal.

Subsequent to the merger and in response to increasing market competition and changing industry dynamics, the Company conducted a comprehensive strategic review of its operations in 2012. Based on the results of the review, the Company decided to undertake a substantial 'business transformation' program to realign the value proposition of the Company with market demand. The program involved the following key transformation areas:

- **Consolidation of branding –** The Company launched the new helloworld brand in mid-2013 to consolidate its numerous legacy brands and support a more competitive unified marketing and purchasing strategy. Existing network members were given the opportunity to adopt the new brand, stay with the legacy brand or leave HLO's network. The Company also changed its business name from Jetset Travelworld Limited to Helloworld Limited in 2013.

- **Restructuring of retail models** – HLO restructured its retail models into three key categories being Branded, Associate and Affiliate to support better economic alignment with its network members and allow for the provision of more streamlined and enhanced agency incentives. We have provided further discussion of the new retail models in the sections below.

- **Development of a multi-channel offering** – In response to the growing presence of online travel agencies and direct supply websites, the Company launched *helloworld.com.au*, an online platform with a multi-product booking engine and agent locators. This was developed through and supported by a strategic alliance with US-based online travel company, Orbitz Worldwide Inc. ("Orbitz") formed in November 2013 ("Orbitz JV").

We note that whilst the business transformation program is largely completed in Australia as at the date of this report, the implementation of the program in New Zealand is expected to occur over the course of the 2016 financial year.

In line with HLO's business transformation strategy to focus on its core outbound and domestic markets, we note that HLO divested its inbound travel business, comprising of ATS Pacific Australia, ATS New Zealand, and ATS Fiji (together "ATS") to AOT for $5.2 million in September 2013.

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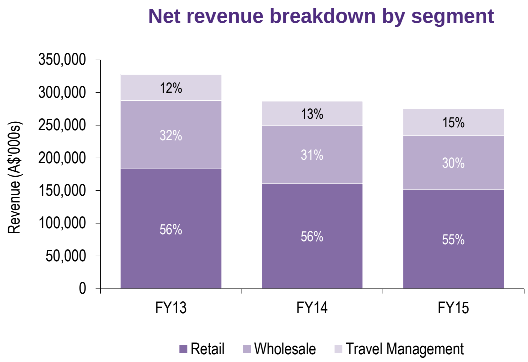
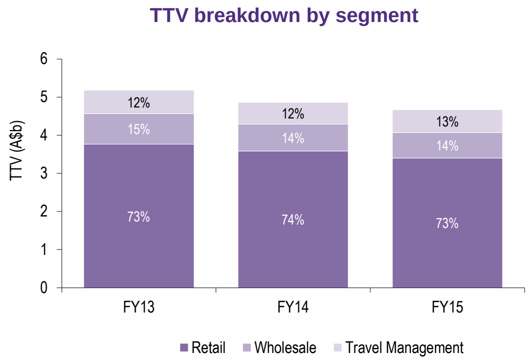
4.3 Current operations

HLO currently operates under three main segments namely the Retail Segment, the Wholesale Segment and the Travel Management Segment. The following charts set out the contribution of each segment with regard to net operating revenue (excluding other revenues[29]) and Total Transaction Value ("TTV")[30] between FY13 and FY15:





Source: HLO Annual Reports and GTCF analysis

We note that amongst the three segments, in terms of revenue and TTV, the Retail Segment is the largest contributor for the Company whilst the Travel Management Segment is the fastest growing segment after its recent appointment[31] as the sole provider of travel management services to the Whole of the Australian Government ("WoAG") ("the WoAG Contract") in December 2014.

We also note that HLO's revenues and TTV have experienced a downward trend primarily due to the slowdown of the Retail and Wholesale Segments driven by a reduction in the size of the Company's franchise network during the business transformation program as well as the divestment of ATS. For further details on financial performance, refer to Section 4.4.1.

Details on these segments are summarised below.

4.3.1 Retail Segment

The Retail Segment offers franchising management services as well as encompasses other travel related businesses (i.e. Air Tickets and helloworld.com.au). The segment earns revenue from franchise fees, and base and override commissions from airline and leisure partners depending on volumes of products sold through the networks.

Franchising management services

HLO acts as a franchisor for various travel agency networks, mainly including *helloworld, helloworld for business* (i.e. corporate) and the Concorde Agency Network ("CAN"). The following pie chart depicts a breakdown of the various travel agency networks.

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[29] Other revenue arising from HLO's Shared Services Segment which provides mainly corporate overhead services to the HLO group of companies.
[30] TTV represents the price at which travel products and services have been sold across HLO and its subsidiaries (as agents for partnered airlines and other service providers) combined with revenue from other sources. TTV does not equate revenue pursuant to Australian/ International Accounting Standards.
[31] QBT

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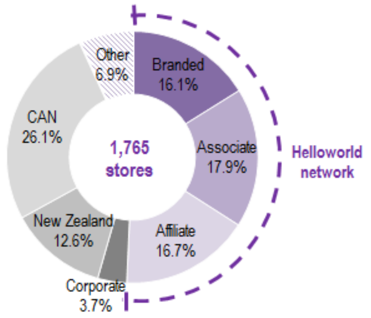
Travel agency networks



Note (1): Other mainly includes legacy brands such as Travelscene and Travelscene American Express, Harvey World Travel and Jetset Travelworld
Source: Management

In relation to the above, we note the following:

- ***helloworld* network***:* With the implementation of the business transformation program, HLO has introduced three new retail models under which the majority of its franchisees currently operate:

  - *Branded model*: fully branded under '*helloworld*'. The Branded model provides exclusive services and strong economic alignment between HLO and the franchisees. The common initial term is five years.

  - *Associate model*: the member is able to adopt a slogan '*A member of the helloworld group*'. The Associate model offers selective value-added services. The common initial term is three years.

  - *Affiliate model*: an affiliated buying group allowing travel agents to maintain their independent brands. This provides for mainly a transactional relationship with the benefit of scale.

- ***helloworld for business* or 'corporate' network**: This is Australia's largest independent travel management company network. It was established after the unification of the Travelscene Corporate and Jetset Travelworld Group Business Select brands in 2013. HLO provides *helloworld for business* network members with access to preferred commercial arrangements with suppliers, business and systems support, and participation opportunities with like-minded business owners.

- ***Concorde Agency Network ("CAN"):*** HLO also provides services to approximately 481 agencies through the CAN, an independent group affiliated with HLO. CAN is Australia's largest independent professional travel buying group which allows independent travel agencies to have access to preferred supplier arrangements with over 62 different key tour, hotel and car hire partners, including HLO's own in-house wholesale and air ticketing businesses.

- **NZ network**: The business transformation process including the official launch of the brand '*helloworld*' is expected to commence in NZ from early 2016. We understand that the majority of the NZ network agencies have indicated that they are supportive of the move to the *helloworld* network. However, approximately one third of the existing agencies are expected to leave the network.

Other operating businesses

In addition to the above franchising brands, the Retail segment also owns and operates other businesses, namely the air ticketing facility business 'Air Tickets' and the online platform business 'helloworld.com.au' as follows:

- **Air Tickets:** The air ticketing facility business distributes international and domestic airfares from over 100 international airlines and provides ticket consolidation services to travel agencies operating under the *helloworld* network and CAN, and also to over 400 independent travel agencies. We note that only Branded *helloworld* network agents are required to acquire ticket consolidation services through Air Tickets. Air Tickets has technology that allows travel agents to issue tickets 24/7 as well as determine margins on each sale[32] so that discounted rates with airlines can be negotiated.

- **Airline Representation:** HLO provides airline representation services under its World Aviation Systems and Global Aviation Systems brands. A range of representation services is provided to enable international airlines to operate and sell in both the Australian and New Zealand markets without need for direct investment in offices and infrastructure.

- **Online Business**: An online platform that provides travellers with the ability to do their own research and online booking or to find the nearest *helloworld* agency. The Online Business is an integral part of HLO's omni-channel strategy. The 'helloworld.com.au' website is the main component of the platform and covers travel related products and services including hotels, holiday packages, flights, car hire and cruises. As well as the website, HLO has also recently launched mobile and tablet optimised websites, and mobile apps.

  Launched in late 2013, the website was developed and supported through a ten-year strategic alliance agreement with Orbitz, under which Orbitz provides the technology, some content, business expertise and data analytics. We note that HLO is also involved in a partnership with Orbitz to power the Company's wholesale hotel website, 'readyrooms.com'. However, we note that with the recent acquisition of Orbitz by Expedia Inc. in February 2015, Expedia may seek to exit the alliance agreement prematurely if the Orbitz business is migrated into Expedia's technology platform.

4.3.2 Wholesale segment

The Wholesale segment offers procurement of a wide range of air, cruise and land products[33] for travel packaging and sale via retail agency networks. The Wholesale segment earns its revenues mostly in the form of base and override commissions from airline and leisure partners. Details on HLO's key wholesale brands are set out as follows:

- **Qantas Holidays:** Wholesaler of package holidays in Australia and internationally. Qantas Holidays obtains its air, land and related products and services through a network of suppliers, which is either sold to travel agents or to other independent distribution channels. However, we

[32] As a result of bulk selling.
[33] Land products include hotels, car hire, coaches, rail and other non-airline products.

note that if Qantas Holidays chooses to distribute through an intermediary for on-selling, a proportion of the margin is paid to the intermediary.

As a result of the nature of wholesale travel businesses, there is generally a time lag between when Qantas Holidays receives payments from travellers (i.e. at the time of the booking) and when it is required to settle payment with suppliers (i.e. when the customer actually travels). In this regard, we note HLO holds approximately A$149 million in funds on behalf of clients as at 30 June 2015 and generates returns on these funds.

Qantas Holidays operates under the umbrella of two brands with the key differentiating factor being:

– Qantas Holidays provides air content sourced from Qantas Airways or a Qantas marketed airline, such as Jetstar.

– Viva! Holidays provides air content sourced from a variety of airline companies, excluding Qantas Airways and its marketed airlines.

- **readyrooms*.com* *(or Ready Rooms):*** Online business to business hotel aggregator providing products for both business travellers and tourists. It provides an online solution for dynamic and traditional wholesale inventory for preferred travel agents to sell to their customer base. Ready Rooms is operated in partnership with Orbitz under a profit-share agreement.

- **Other brands:** The following table sets out other key brands of the Wholesale Segment:

Brand	Features
Insider Journeys – Imagine the stories	• Specialising in guided small group journeys and tailor-made itineraries in Asia in destinations such as Vietnam, Cambodia, Laos, Thailand, China, Mongolia, Japan, India, Sri Lanka, Bhutan and Burma. • Operating as a vertically integrated business with 7 operations across Asia, Australia, UK and North America. • Insider Journeys was recently re-branded from 'Travel Indochina' to better reflect the wider geographic and more bespoke focus of the business.
Go Holidays!	• Operating as a NZ based wholesale brand that sells outbound packaged holiday products for destinations around the world.
Qantas Vacations – The Best Downunder!	• A brand of Stella Travel Services USA Inc. • Provides customised tour and travel arrangements for visitors from North America to Australia, NZ, Fiji and Tahiti.
The Cruise Team	• A cruise wholesaler offering tailor-made cruise packages.

Source: Management, Company website, Annual reports and GTCF analysis

4.3.3 Travel Management Segment

The Travel Management Segment provides travel management services to corporate and government customers, including booking of flights and accommodation, and other related arrangements. The key brands within the Travel Management Segment are discussed below:

- **QBT**: Travel management business that arranges business travel for Federal and State Government departments as well as for private businesses. The business offers full travel management services covering air, land and related travel products and services including organising flights, accommodation, car hire, travel essential services and itinerary planning and management. In addition, QBT provides online corporate travel bookings via online booking tools and reporting and expense management.

QBT's revenues primarily derive from transaction fees or management fees received from customers for conducting travel management services, and commissions received from suppliers.

In December 2014, QBT was appointed as the sole provider of travel management services to the Whole of the Australian Government (i.e. the WoAG Contract). Under the WoAG Contract, QBT will support 142 government agencies for an initial period of four years. Previously, QBT had provided travel management services to only 58 government agencies which comprised approximately 65% of the total travel management related transaction value generated by the WoAG.

- **APX:** Provides comprehensive full end-to-end travel management services in NZ. It has been operating as the NZ Travel Partner Network representative for American Express Business Travel since 2006. APX also has an exclusive arrangement to provide travel management services to the Whole of Government.

4.4 Financial information

4.4.1 Financial performance

The following table summarises the audited consolidated statement of income of HLO for the financial years ended 30 June 2013 ("FY13") to 30 June 2015 ("FY15"). HLO has undergone significant business restructuring and transformation since FY13. As a result, we have not considered comparisons of financial performance across years prior to FY13 to be meaningful.

Furthermore, we note that the reported results of HLO have been affected by a number of unusual and non-recurring items. Accordingly, we have adjusted for these items below in order to determine a normalised or 'Adjusted EBITDAI' to analyse the underlying financial performance of HLO.

Consolidated income statement HLO (A$'m)	FY13 Audited	FY14 Audited	FY15 Audited
Net revenue	332.8	291.7	279.2
Net revenue growth rate	*-7.8%*	*-12.3%*	*-4.3%*
Employee benefits expenses	(152.2)	(132.5)	(122.2)
Advertising, selling and marketing expenses	(66.9)	(66.6)	(75.6)
Operating expenses	(72.6)	(71.5)	(57.9)
Impairment of goodwill	-	(59.5)	(205.3)
Other	(0.2)	(5.5)	0.3
Share of profits of associates accounted for using the equity method	0.1	0.2	0.2
Reported EBITDA *(incl. interest income on client cash)* [1]	**41.1**	**(43.7)**	**(181.3)**
Depreciation and amortisation expense	(10.8)	(14.0)	(13.9)
Reported EBIT	**30.3**	**(57.8)**	**(195.2)**
Finance expense	(3.6)	(3.4)	(3.2)
Income tax expense	(10.3)	(2.1)	(2.7)
Profit/ (loss) after income tax expense	**16.4**	**(63.2)**	**(201.1)**
Profit attributable to non-controlling interest	(0.2)	(0.1)	(0.0)
Profit/ (loss) attributable to owners of HLO	**16.2**	**(63.3)**	**(201.1)**

Normalisation of reported EBITDA HLO (A$'m)	FY13	FY14	FY15
Reported EBITDA *(incl. interest income on client cash)* [1]	**41.1**	**(43.7)**	**(181.3)**
Interest on non-client cash	(0.6)	(0.5)	(0.4)
Impairment of goodwill	-	59.5	205.3
Merger, transaction and redundancy costs	-	-	-
Business transformation costs	10.8	15.8	2.1
Gain/(loss) on disposal of investments	-	5.5	(0.3)
Costs relating to GST matter	0.0	2.7	0.6
Other	2.2	0.7	1.1
Adjusted EBITDAI (before exceptional items)	**53.5**	**40.1**	**27.0**
Adjusted EBITDAI margin (HLO)	*16.1%*	*13.7%*	*9.7%*

Source: 2013-15 HLO Annual Reports, NOM and GTCF calculations
Note (1): Consistent with industry practise, we have calculated EBITDA to include interest income earned on cash paid in advance by customers (with matching liability) as it is considered operational in nature. In FY15 interest income was approximately A$3.9 million.
Note (2): Totals may not add due to rounding.

We note the following in relation to the above:

- Net revenue has decreased by approximately A$54 million (or 16%) from FY13 to FY15 mainly as a result of the following:
  - In mid-FY13, the Company commenced implementation of an extensive business transformation program involving the launch of the 'Helloworld' retail brand, and the establishment of an online platform with a multi-product booking engine and agent locators (i.e. Online Offering). All franchisees across HLO's network were given the opportunity to re-

brand into Helloworld and adopt one of HLO's new retail models[34], stay on old brands or leave HLO's network. This brand transition has been the main driver behind a reduction in network locations by approximately 4% in FY13, 9% in FY14 and 2% in FY15[35] which in turn has resulted in lower net revenues realised by both HLO's Retail and Wholesale Segments. The retail re-branding in Australia was largely completed in FY15 and the network has stabilised to approximately 1,500 locations[36] across Australia.

- In September 2013, HLO completed the divestment of its wholesale inbound travel business, ATS to AOT for A$5.2 million. ATS contributed approximately A$13 million in FY13 and A$4 million in FY14 (3-months to September 2013) to the consolidated net revenues of HLO.

- Subdued operating environment, increasing competitive pressures and declining average selling prices have also constrained revenue growth over the last few years. See Section 3 for further discussions on the recent industry trends.

• HLO's reported EBITDA has been impacted by a number of material unusual and non-recurring items over the observed period. We have adjusted for these items in order to determine a normalised or 'Adjusted EBITDAI' as discussed below:

  - In FY13, normalisation adjustments mainly include A$10.8 million of expenditure on the business transformation plan. Other normalisation items mostly relate to CEO retirement costs of A$0.8 million and VAT[37] settlement costs of A$0.6 million.

  - In FY14, HLO was impacted by the loss recorded on the disposal of ATS of A$5.5 million, implementation costs of $15.8 million relating to the Company's business transformation plan, non-cash goodwill impairment of $59.5 million relating to the Retail Segment and costs of $2.7 million resulting from the Federal Court's decision in a GST[38] court case. Other normalisation items mainly relate to CEO resignation retirement costs of A$0.6 million.

  - In FY15, HLO was mainly impacted by a non-cash goodwill impairment of A$205.3 million relating to its Retail and Wholesale Segments and further business transformation costs of A$2.1 million.

  - Interest income on non-client cash has been adjusted out of EBITDAI as it is not considered to be a part of ordinary business operations like interest earned on client cash.

• Taking into consideration the above normalisation items, the Adjusted EBITDAI has decreased by approximately A$27 million (or 50%) from FY13 to FY15 and the Adjusted EBITDAI margin has declined from approximately 16% in FY13 to 10% in FY15. We note this largely reflects the decline in net revenues as discussed previously, the realignment of commercial arrangements as part of the business transformation which includes enhances incentives paid to network agents, and increased marketing expenses in response to increasing competitive pressures and to support the new *helloworld* brand and website.

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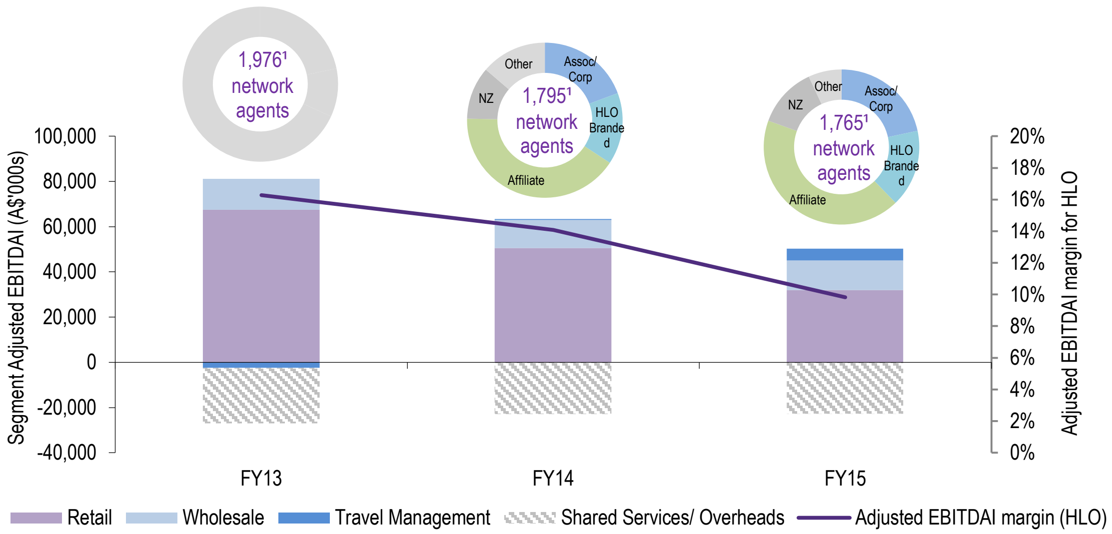
[34] The retail models are: the *Helloworld* Branded model, the *Helloworld* Associate model; and the *Helloworld* Affiliate model.
[35] Network size movement is based on financial year-end network location numbers.
[36] The current network includes approximately 100 locations operating under the Harvey World Travel, Travelscene, Jetset and Travelworld legacy brands.
[37] Value-Added Tax.
[38] Goods and Services Tax.

However, we note that this has been partially offset by HLO's continual focus on cost containment and productivity improvement over the last few years.

In addition, HLO's Travel Management Segment have also experienced significant increase in profitability with segment Adjusted EBITDAI increasing from negative A$2.5 million in FY13 to positive A$5.3 million. This has predominately been due to QBT's[39] appointment as the sole provider of travel management services to WoAG in December 2014.

The graph below provides an illustration of the movement in Adjusted EBITDAI and network size over the observed period, FY13 to FY15:

Adjusted EBITDAI growth and contribution analysis



Source: HLO investor presentations, Management and GTCF calculations
Note (1): Network agent numbers and composition as at financial year end
Note (2): 'Other' network members include agents operating under legacy brands Harvey World Travel (incl. South Africa), Jetset Travelworld, Travelscene and Travelscene American Express.

[39] Wholly owned subsidiary of HLO.

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4.4.2 Future prospects

HLO has indicated that the Company anticipates substantial growth over the next three years. Based on discussions with Management, review of HLO's Board approved FY16 budget (including subsequent rolling forecasts) and the Three-Year Plan[40], we understand this expected growth in earnings is mainly driven by the following:

- *The new helloworld network*: the transfer of all Australian legacy brand franchisees into the new *helloworld* network was substantially completed in FY15. The benefits of the business transformation and material investment in marketing and branding over the last few years are expected to start emerging meaningfully and support profitability growth over the medium term. HLO also intends to continue to focus and strengthen the value proposition offered to its network members through investment in technology improvements, increased tactical engagement rates with high-growth agencies and realigning its sales team structures.

- *Full year impact of WoAG Contract win*: the Company has recently successfully completed the transition of all 142 WoAG agencies to QBT in July 2015 and will realise the full year impact of the contract win in FY16. The WoAG Contract is a significant win and represents a high-profile client for QBT, and should assist it in tendering for other Government and corporate clients going forward. The WoAG Contract has also been crucial in helping QBT achieve commercial scale and a lower cost structure, which has resulted in the significant improvement in profitability of the Travel Management Segment over the last year.

- *Online business growth*: continued development of the helloworld.com.au website and full financial year impact of new Meta partners are expected to contribute to revenue growth for the Retail Segment. However, it is expected that a portion of the growth in the online business will be as a result of a shift in demand from traditional retail channels.

- *Re-branding and transition of NZ network*: the transition in 2016 of HLO's NZ network to *helloworld* is expected to deliver further synergies across staffing, branding and technology. The benefits of these synergies are expected to be realised in financial years beyond FY16. HLO has also recently completed the acquisition of six stores in the Air New Zealand Holidays retail network. However, we note that with regard to the Australian network transformation experience, the expected synergies are at material risk of being eroded by loss of agents and other implementation risks.

- *Continual focus on cost management:* HLO plans to execute further cost management programs over the next couple of years in line with the Company's strategic focus on higher margin products and services. This is expected to include technology improvements to increase efficiency in core areas and shift more transactions to online channels, increased use of outsourcing options and continual focus on managing discretionary expenditure.

However, we note the following additional key risks and challenges to HLO's ability to achieve its planned growth initiatives and realise anticipated opportunities:

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[40] Details of HLO's FY16 budget and three-year plan not disclosed due to confidentiality and commercial sensitivity factors.

- *Market uncertainty*: fluctuating consumer sentiment, uncertain rate of global economic recovery and a low Australian Dollar in the short to medium term will result in significant market challenges such as subdued demand, increasing pricing sensitivity and dynamic consumer preferences for outbound travel.

- *Increasing market competition*: the market is overcrowded with traditional operators competing aggressively with online companies and direct distributors such as Qantas resulting in increased pressure on margins. Furthermore, we note that HLO's associates and affiliates are exposed to leakage as they are not required to purchase products from HLO's in-house wholesale businesses (i.e. Wholesale Segment) which also increase competitive pressures.

- *Maintaining network*: HLO intends to continue to invest materially in the future-proofing of its agents, and the business through technology, training, product and profile supported by an omni-channel strategy. There are a number of competitors also operating in the franchise model space and it will be important for HLO to continually differentiate and maintain the value proposition it offers to members of its *helloworld* network to retain existing and acquire new members. This is particularly important given a significant number of HLO agent contracts will come up for renewal within the next 18 months.

- *Renewal of key agreements*: we note that HLO's Three-Year Plan assumes similar commercial terms of all key supplier contracts as received in FY15. Any deterioration of these terms will impact profitability targets.

- *Management and leadership uncertainty*: In June 2015 HLO's current CEO; Ms Elizabeth Gaines provided her notice to leave HLO. There have been several changes of CEOs at HLO since the creation of the merged business in 2010 which has led to significant management and leadership uncertainty. We understand that as at the date of this report, HLO have yet to identify a suitable CEO candidate (other than Mr Andrew Burnes under the Proposed Transaction). Given HLO is still in a critical stage being a newly transformed business; it is unsurprising that the share price of HLO has decreased materially since the announcement of the resignation of Ms Elizabeth Gaines[41]. It is not unreasonable to expect that the future success and direction of the Company will be largely impacted by the new CEO and his/her vision for the Company.

[41] Since the announcement of Ms Gaines resignation on 19 June 2015, the HLO Share price decreased from A$0.385 on 18 June 2015 to A$0.330 on 3 August 2015 (one day before the next announcement made by HLO).

4.4.3 Financial position

The consolidated statement of financial position of HLO as at 30 June 2014 and 30 June 2015 are summarised in the table below.

Consolidated Statement of Finanical Position - HLO A$'000s	Audited 30-Jun-14	Audited 30-Jun-15
Assets		
Cash and cash equivalents	184,320	176,141
Trade and other receivables	105,470	104,869
Inventories	109	93
Derivative finanical instruments	-	1,627
Income tax receivable	-	305
Total current assets	**289,899**	**283,035**
Investments accounted for using equity method	942	460
Investment properties	175	175
Property, plant and equipment	20,506	16,916
Intangible assets	360,481	161,404
Deferred tax asset	7,205	5,242
Defined benefit plan assets	2,910	3,062
Other non-current assets	1,121	802
Total non-current assets	**393,340**	**188,061**
Total assets	**683,239**	**471,096**
Liabilities		
Trade and other payables	197,382	183,609
Borrowings	892	-
Provisions	12,752	13,051
Deferred revenue	66,019	69,294
Derivative finanical instruments	2,710	37
Income tax payable	19	-
Total current liabilities	**279,774**	**265,991**
Borrowings	23,345	23,245
Deferred tax liability	-	295
Provisions	1,370	1,430
Other non-current liabilities	1,762	2,659
Total non-current liabilities	**26,477**	**27,629**
Total liabilities	**306,251**	**293,620**
Net assets	**376,988**	**177,476**

Source: HLO investor presentations and GTCF calculations

We note the following in relation to HLO's balance sheet as at 30 June 2015:

- Cash and cash equivalents includes A$148.8 million held on behalf of clients which are expected to be remitted to various airlines and accommodation product suppliers within the next twelve months. A corresponding liability is recorded while the cash is held on the client's behalf. These funds are held separate to the general funds of the Company and are invested in short term deposits which generated interest income of approximately A$3.9 million in FY15.

- Net derivative financial instruments relate to cash flow hedges and interest rate swaps held by the Company to hedge its foreign currency exposure[42]. We note the instruments are held at fair value and that changes in the fair value are recognised in other comprehensive income and not included in the Adjusted EBITDAI presented earlier in this report.

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[42] Foreign currency exposure relates to both Qantas Holidays and NZ operations.

- Investments accounted for using the equity method are mainly in relation to Tour Managers (Fiji) Limited and Harvey World Travel Strategy Group Ltd and Harvey World Travel Southern Africa Pty Ltd.

- Property, plant and equipment of A$16.9 million consist of A$11.4 million in office equipment and A$5.5 million in leasehold improvements.

- Intangible assets consist of mainly goodwill arising from a number of legacy transactions (in particular, the merger between Stella and Jetset Travelworld), franchise systems[43] and software. We note the carrying value of intangible assets reduced materially in FY15 as a result of a significant impairment charge of A$205.3 million relating to the Retail and Wholesale Segments.

- Deferred tax assets of A$5.2 million relate largely to employee benefits (A$3.4 million) and tax losses (A$2.2 million).

- Net defined benefit plan assets of A$3.1 million is calculated based on the fair value of the plan assets less the present value of the defined benefit obligation. HLO initially assumed responsibility and control of the defined benefit plan in July 2011 as a part of the merger between Jetset Travelworld and Stella (which formed HLO). The plan is closed to new members and is expected to be converted to a defined contribution plan in FY16 which is expected to generate some minor cost savings going forward.

- Deferred revenues represent revenues received from sales prior to a passenger's departure date.

- A non-current borrowing of A$23.2 million is made up of A$24.9 million in secured[44] loans and net A$1.6 million in deferred borrowing costs. As at 30 June 2015, HLO had remaining headroom available in its finance facilities of approximately A$60.8 million. Majority of HLO's available financing facilities mature in April 2019.

4.5 Share Capital Structure

As at 30 June 2015, HLO had on issue 440,330,198 fully-paid ordinary shares. We also note that HLO has 2,785,154 performance rights on issue as at the Valuation Date.

[43] Franchise systems are the integrated system of methods, procedures, techniques and other systems which, together with a network of franchisees, facilitate the day-to-day running of a franchise business. Franchise systems include access to products and inventory, brands, marketing, advertising, promotional techniques, training and operational manuals of the network.
[44] The secured loans are secured against the assets of the majority of HLO's entities. These entities do not operate as licensed travel agents.

4.5.1 Top shareholders

The following table sets out the top ten shareholders for HLO as at the Valuation Date:

Top shareholders HLO	Number of shares	%
Qantas Airways Limited	127,340,726	28.9%
Europe Voyager NV	102,568,377	23.3%
Sintack Pty Ltd.	88,013,982	20.0%
Burnes Group Pty Ltd	31,000,000	7.0%
UBS Global Asset Management	30,632,738	7.0%
AOT	13,980,629	3.2%
Edwrite Pty Ltd	1,815,251	0.4%
Gaines, Elizabeth Anne	1,219,318	0.3%
AMP Limited	1,173,886	0.3%
Chapman, Craig Graeme	1,000,000	0.2%
Total top 10 shareholders	**398,744,907**	**90.6%**
Other shareholders	41,585,291	9.4%
Total	**440,330,198**	**100.0%**

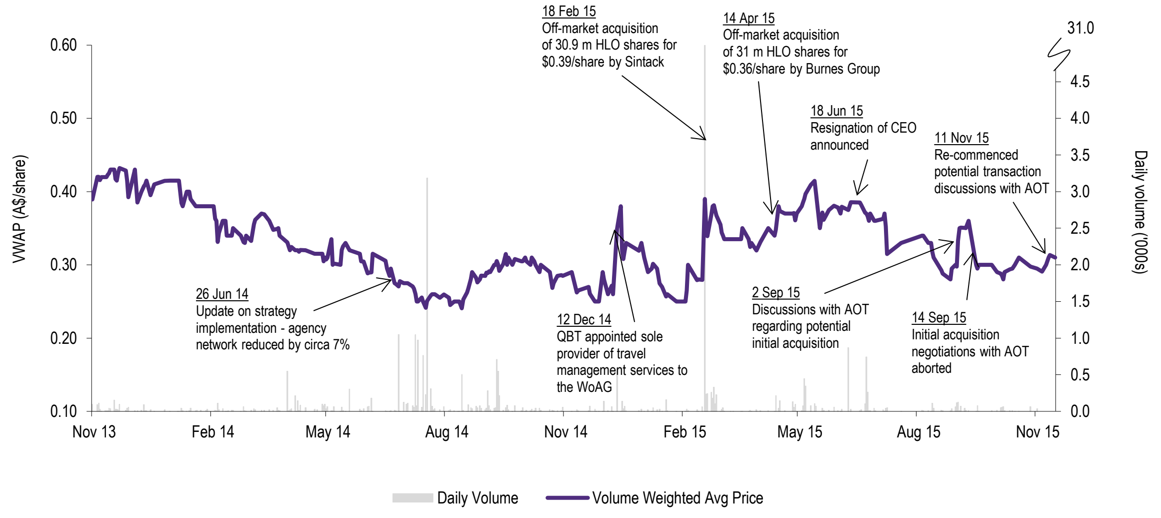
Source: Capital IQ, ASX announcements and GTCF analysis

We note that approximately 90.6% of HLO's ordinary shares are owned by the top ten largest shareholders with the AOT Vendors and their associates holding approximately 10.2%.

4.5.2 Share price performance

The daily movements in HLO's share price, volumes and key announcements since November 2013 are set out in the following chart.

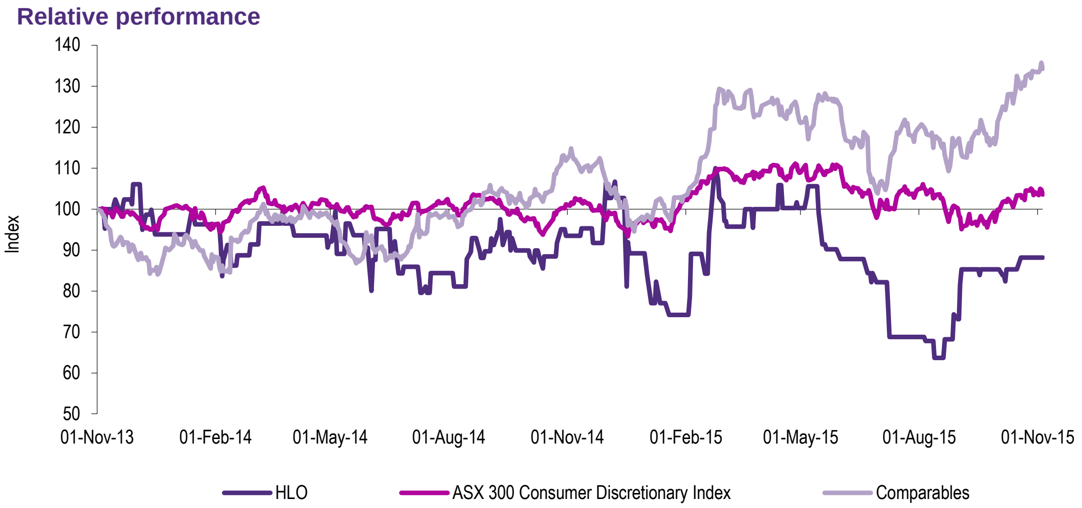
Comparison of Grant Thornton's valuation assumption with historical trading prices



Source: Capital IQ, ASX announcements and GTCF analysis

The level of HLO's free float is relatively low (approximately 15%[45]) since the majority of its shareholding is owned by a few institutional investors. Over the last twelve months, approximately an average of 0.7% per month of the total number of shares outstanding was traded[46]. See Section 8.9 for further analysis on the trading of HLO Shares.

The relative performance of HLO's share prices, S&P/ASX 300 Consumer Discretionary Index[47] and the comparable companies' average share prices from November 2013 to the Valuation Date are depicted as follows:



Note: Comparables basket include the share price performance of Webjet Ltd, Flight Centre Travel Group Ltd, and Corporate Travel Management Ltd
Source: Capital IQ and GTCF analysis

We note that HLO's Share price has underperformed during the observed period compared to its peers primarily due to the declining financial performance of HLO. As discussed in Section 4.4.1, HLO was particularly adversely impacted by a reduction in the size of its franchise network during the business transformation program implementation process. The inherent uncertainty associated with the outcome of the business transformation is also compounded by the recent resignation of HLO's CEO.

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[45] Shareholdings excluded from free float includes approximately 3.4 million shares held by company employees/ individual insiders and approximately 367.0 million shares held by strategic corporate investors (consisting of the AOT Vendors, Qantas, CVC, Sintack, AMP Limited, Edwrite Pty Ltd, Golden Venture Pty Ltd and Heritage Care Pty Ltd).
[46] Average volume traded as a percentage of total number of shares outstanding decreases to 0.1% if the off-market 30.8 million shares transfer between UBS and Sintack in February 2015 is excluded.
[47] The S&P/ASX Consumer Discretionary Index includes our selected comparable domestic companies to HLO: Flight Centre, Webjet and Corporate Travel Management. See Section 8.3.1 for discussion on our selected comparable companies.

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4.5.3 Dividend Policy

Set out in the table below are the historical dividends paid during the last four financial years:

Dividends paid	Dividend Paid cents
FY12	1.10
FY13	1.50
FY14	-
FY15	-

Source: HLO's Annual reports

HLO has a dividend payout ratio policy in the range of 40%-60% of net profit after tax. As HLO realised a reported net loss after tax for FY14 and FY15, no dividends were paid in those financial years in accordance with the dividend policy.

4.6 HLO Performance Rights

We note that HLO currently has 2,785,154 performance rights ("HLO Performance Rights") as at the Valuation Date. These have been issued under the long term incentive plan for HLO's key Management.

The following table sets out the terms of HLO Performance Rights:

Performance rights issued under LTIP			
Grant name	Grant date	Performance period	Number
2013 Grant	26 June 2012	1 July 2012 to 30 June 2016	378,117
2015 Grant	27 February 2015	1 July 2014 to 30 June 2016/17	2,407,037
Total			**2,785,154**

Note (1): Vesting based on adjusted EPS hurdles and continuation of employment with HLO.
Source: HLO's FY15 Annual Report

As of the date of this Report, the above HLO Performance Rights have so far not vested.

5 Overview of AOT

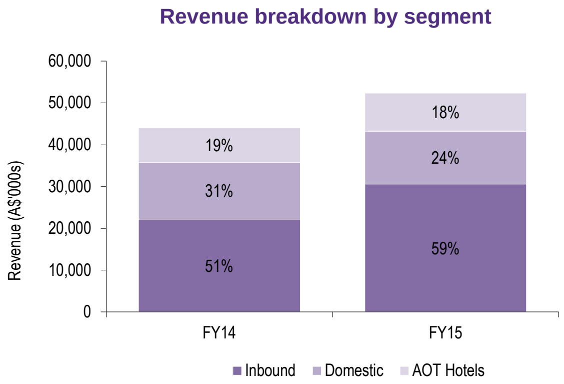
5.1 Introduction

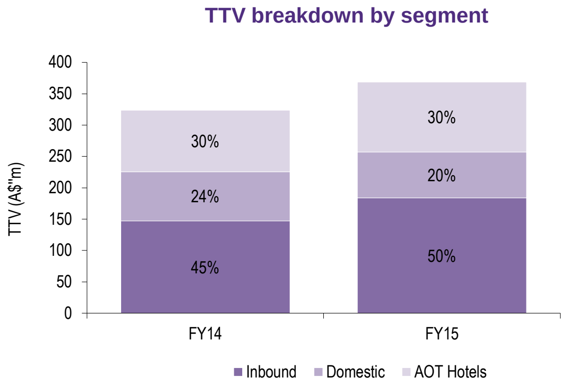
AOT was founded in 1987 in Melbourne, Victoria by Andrew Burnes. AOT is jointly owned by Andrew Burnes and Cinzia Burnes and is focused on the inbound, corporate/ government and leisure sectors within Australia, New Zealand and the South Pacific. AOT specialises in inbound and destination management services for international travellers to Australia. It also sells wholesale leisure products via retail chains in Australia and New Zealand, and direct to consumers via its online websites and reservation centres. In addition, AOT provides accommodation management services, transportation handling and operates online travel portals for corporate and government clients.

AOT currently has 570 staff working in 17 offices worldwide.

5.2 Current operations

AOT's results are reported under three operating segments, namely the Inbound Segment, the Domestic Segment and the AOT Hotels Segment. The following charts depict the contribution of each segment with regard to revenue and TTV in FY14 and FY15.





Source: AOT's management account for FY15, Due Diligence report and GTCF analysis

Among the three segments, the Inbound Segment is the largest and fastest-growing segment based on revenue contribution and TTV. This has largely been driven by favourable market conditions and the acquisition of ATS in 2013. The Domestic Segment is the second largest segment but has recently been adversely impacted by lower demand from key customers. The AOT Hotels Segment encompasses a contract with the Australian Federal Government and has experienced consistent growth. For further details on AOT's financial performance, refer to Section 5.3.1.1.

Details on these segments are set out below.

5.2.1 Inbound Segment

The Inbound Segment offers inbound travel management services to Australia, New Zealand and the South Pacific for international customers via AOT Inbound, Experience Tours Australia ("ETA"), ATS and Tourist Transport Fiji ("TTF").

AOT has entered into a number of agent service agreements under which AOT acts as the preferred or exclusive inbound tour operator and booking agent in Australia, New Zealand, Fiji and/or Southern Pacific Islands to various international outbound wholesalers. The original terms of the majority of these agreements are in the range of one year and three years after which they are typically renewed. The agreements can also be terminated by either AOT or the wholesaler with relatively short notice.

AOT also has agreements with major suppliers with terms ranging between one and two years with one year renewal options at the end of the original terms. A few key supplier agreements are currently due for renewal and are in the process of being renegotiated. These suppliers are generally long term relationships and AOT expects them to be renewed.

A brief summary on the key brands in the Inbound Segment are as follows:

- **AOT Inbound***:* AOT Inbound ("AOTI") is one of the largest inbound tour operators in the Australasian region, serving travellers via its offices in Melbourne and Auckland. AOTI is also the largest contributor within the Inbound Segment in terms of revenues, TTV and earnings. AOTI provides travel products including accommodation and transfer services, meet and greet services, day and extended tours and cruises, packages and deals for special events (e.g. honeymoon, wedding, etc.). AOTI operates and facilitates its clients via a 24/7 reservations centre with customer assistance and services available in several foreign languages as well as through online booking engines.

- **ATS:** AOT acquired ATS from HLO in October 2013 to reinforce and expand AOT's capacity in the Inbound Segment. ATS specialises in providing total destination management, and comprehensive personalised travel management services for both individual travellers and groups of travellers. ATS' key clients are wholesale travel companies in the UK, Europe, Asia and Japan.

- **ETA:** ETA provides inbound travel management services mainly for international travellers from Asia. ETA specialises in providing total destination management, and comprehensive personalised travel management services for both individual travellers and groups of travellers. ETA also operates Customer Service Centres in India, China, Singapore and Indonesia to offer local support services.

- **TTF:** TTF is a transport operator and ground handler with a fleet of vehicles in Fiji. TTF is 60% owned by AOT and located at Nadi International Airport (Fiji). TTF's key services include airport arrival services and greeting lounge area, tours and ground handling services, conference and incentive groups handling, day tours and adventure travel and sightseeing.

5.2.2 Domestic Segment

The Domestic Segment focuses on the domestic distribution of leisure products in Australia and NZ. The segment includes Sunlover Holidays, Territory Discoveries, Pacific Leisure Group ("PLG") and AOT Online.

The Domestic Segment generates its revenues mostly from commissions on the value of travel on-sold from travel suppliers as set out under various supplier agreements. Also, AOT has entered into a number of preferred agent agreements under which AOT acts as the preferred supplier of certain domestic travel, wholesale travel and travel related products to domestic retail travel agency networks (including HLO). In return, AOT generally pays a base commission and performance incentive. The majority of these supplier agreements have an original term ranging between one and two years. The agreements can also be terminated by either AOT or the travel agency with relatively short notice.

A brief summary of these entities and brands are provided below.

- **Sunlover Holidays**: is one of the largest domestic wholesale travel distributors in Australia. Sunlover Holidays provides wholesale travel services via retail chains across Australia and NZ, and is the largest revenue and earnings contributor in the Domestic Segment. We note that one of Sunlover's largest customers is HLO.

- **Territory Discoveries**: has a particular focus on the Northern Territory market. Territory Discoveries offers outback travel experiences ranging from guided day tours, short breaks to extended journeys in the Top End and Central Australia. The business was formerly a part of the government business division of Tourism NT ("TNT") but is currently being operated by AOT under a three-year licence agreement which commenced in 2014 with options to extend if mutually agreed. The licence agreements require AOT to pay TNT a licence fee depending on travel transaction values. TNT has also agreed to make marketing co-contribution payments.

- **PLG/ Air New Zealand Holidays**: is a 50-50 joint venture between AOT and Air NZ which was established in 2011. Under the joint venture agreement, Air NZ is able to source travel products from AOT and on-sell through its NZ retail stores and online portals. However, we note that HLO has recently acquired 6 of Air NZ's retail stores in December 2015 and the other 16 Air NZ stores are expected to close.

- **AOT Online**: is a travel booking engine which allows consumers to search and buy a wide range of travel products and services.

5.2.3 AOT Hotels segment

The AOT Hotels segment is a sole provider of domestic accommodation services for the Australian Federal Government. AOT tendered and won the bid to be the Accommodation Program Manager for the Federal Agencies and Departments of the Australian Federal Government in 2012 ("APM Contract"). Under the APM Contract, AOT exclusively contracts and arranges domestic hotel and other commercial accommodation for approximately 94 Australian Federal Government agencies that are subject to the *Financial Management and Accountability Act 1997*. The AOT Hotels Segment generates revenues under the APM Contract primarily on a fixed fee per transaction. We note the APM Contract is up for renewal in 2017 and will be put out to tender. Whilst there is no guarantee that AOT will retain the appointment, we note that AOT has so far maintained good relationships with the Government.

In addition, we note that AOT has recently established a new business, Leisure Corporate which is focused on the provision of personal travel for government related employees.

5.3 Financial information

5.3.1 Financial performance

The following table summarises the actual consolidated statement of income of AOT for FY14 and FY15, and forecast FY16. In FY14, AOT made a material acquisition and as a result, we have not considered comparisons of financial performance across years prior to FY14 to be meaningful.

Similar to our approach with HLO, we have adjusted the reported EBITDA of AOT for non-recurring or unusual items in order to determine an Adjusted EBITDAI to better analyse the underlying financial performance of AOT.

Consolidated income statement AOT (A$'m)	FY14 Actual	FY15 Actual	FY16 Forecast
TTV	323.88	368.53	392.40
Net revenue	46.53	55.84	58.80
Revenue/TTV margin	*14%*	*15%*	*15%*
Reported EBITDA *(incl. interest income on client cash)* [1]	**12.51**	**14.53**	**19.48**

Normalisation of reported EBITDA AOT (A$'m)	FY14 Actual	FY15 Actual	FY16 Forecast
Reported EBITDA *(incl. interest income on client cash)* [1]	**12.51**	**14.53**	**19.48**
Gains/ losses related to acquisitions	(0.46)	-	-
Trans Hotel bad debt	-	0.50	-
Non-recurring rent	0.39	0.10	-
GST refund	-	-	(1.70)
Profit on sale of investments	(0.11)	(0.40)	(0.27)
Interest on related party receviables	(0.24)	(0.49)	(0.48)
Other	0.52	0.12	(0.14)
Adjusted EBITDAI (incl. share of minority interests)	**12.59**	**14.36**	**16.89**
Adjusted EBITDAI margin	*27.1%*	*25.7%*	*28.7%*
Share of EBITDA of minority interests	(0.69)	(0.91)	(1.11)
Adjusted EBITDAI (excl. share of minority interests)	**11.90**	**13.45**	**15.78**

Source: 2014-15 AOT financial statements, AOT Financial Due Diligence Report and GTCF calculations
Note (1): Consistent with industry practise, we have calculated EBITDA to include interest income earned on cash paid in advance by customers (with matching liability) as it is considered operational in nature. In FY15, interest income was approximately A$1.0 million.

5.3.1.1 Historical financial performance analysis

AOT's reported EBITDA has been adjusted for a number of unusual and non-recurring items in order to determine an Adjusted EBITDAI. The key adjustments are discussed below:

- Gain on bargain purchase of A$0.66 million related to the acquisition of ATS in FY14 and contingent consideration provision adjustment of A$0.20 million in relation to the PLG acquisition.
- AOT incurred a significant bad debt of A$0.50 million in FY15 in relation to one of its Spanish agents, Trans Hotel. The Management of AOT have informed us that this quantum of bad debt is abnormal and not representative of the ordinary levels of bad debt for the business.
- Non-recurring rent adjustments relate to excess rent costs incurred in FY14 and FY15 relating to superfluous office space in Melbourne and Sydney which are no longer leased.

- In FY16, AOT reached a deed of settlement with the Commissioner of Taxation of the Commonwealth of Australia in relation to an application of private ruling issued in February 2014. The deed of settlement was granted in favour of AOT and an amount of A$1.7 million was refunded to AOT.

- Profit on sale of shares related mainly to AOT's disposal of its investments in Qantas shares in FY14 and FY15, and the transfer of its HLO Shares to the AOT Vendors in FY16. See Section 1.2 for further details.

- Other normalisation adjustments primarily relate to one-off legal fees in relation to a GST matter, redundancies and a reallocation of capitalised IT costs from FY15 to FY14.

Taking into consideration the above normalisation items, the Adjusted EBITDA has increased by approximately A$1.77 million (or 14%) from FY14 to FY15. We note this largely reflects the following:

- Full year impact of AOT's acquisition of ATS in FY14. The remainder of growth in the Inbound Segment was driven by organic growth with increased travel agency sales and new customers signed in late FY14/ early FY15, supported by the depreciation of the Australian Dollar and introduction of locally based sales representatives.

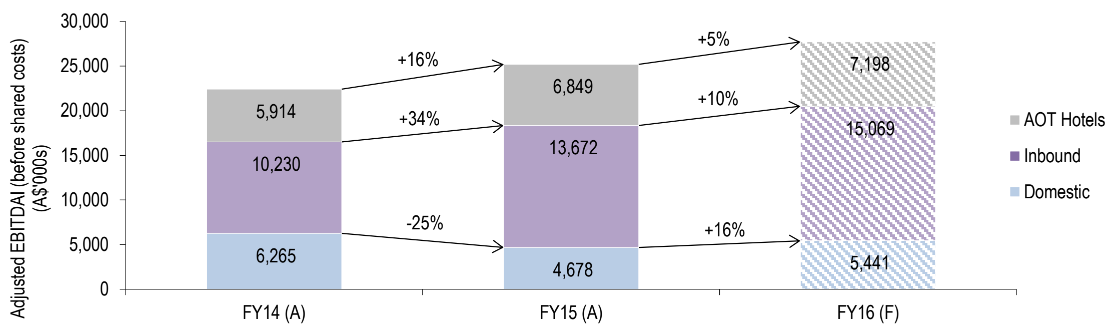
- The AOT Hotels Segment's Adjusted EBITDAI increased by approximately 16% as a result of an increase in Government travel and improved operating efficiencies.

- However, the above was partially offset by a decrease in Adjusted EBITDAI for the Domestic Segment. This was predominately as a result of reduced sales to one of its key customers (HLO) which experienced a slowdown in domestic volumes[48] over the period.

  In addition, shared services costs increased by approximately A$1.0 million in FY15 primarily due to a higher headcount to support the overall larger AOT business.

The graph below provides an illustration of the movement in Adjusted EBITDAI (before shared services) over the historical periods FY14 and FY15, and forecast FY16:

Adjusted EBITDAI (before shared services) growth and contribution analysis



Source: AOT Financial Due Diligence Report and GTCF calculations

[48] See Section 4.4.1 for further details on HLO's financial performance.

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5.3.1.2 FY16 Forecast and future prospects

In accordance with the requirements of RG111, we have made enquiries with the Management of AOT to understand the basis upon which the AOT FY16 Forecast have been prepared and we note the following:

- The AOT FY16 Forecast has been prepared based on the historical financial performance of the Company.
- Acquisitions completed in FY15 are included on a full year basis in the AOT FY16 Forecast.
- The actual YTD performance of the AOT Group as at 31 October 2015 exceeded the forecast YTD performance of the AOT Group.

We have also performed the following procedures in relation to the AOT FY16 Forecast:

- High level checks, including limited procedures in relation to the mathematical accuracy.
- Review of the financial due diligence undertaken by HLO.
- A broad review, critical analysis and benchmarking of the historical performance of AOT with the key underlying assumptions included in the AOT FY16 Forecast.
- Discussions with the Management.

We believe that there is reasonable ground for the AOT FY16 Forecast to be adopted in our valuation assessment. However, we note that we have not undertaken an investigating accountant report on the AOT FY16 Forecast and the AOT FY16 Forecast may not satisfy the requirements for inclusion in disclosure document in accordance with ASIC Regulatory Guide 170 "Prospective Financial Information".

Non-Associated Shareholders should be aware that actual results are likely to be different from those included in the AOT FY16 Forecast as events and circumstances often do not occur as expected and those differences may be material.

AOT's forecast Adjusted EBITDAI (before shared services) is expected to increase by approximately A$2.44 million (or 18%) in FY16. Based on discussions with the Management of AOT, review AOT's FY16 forecast, and our understanding of the business and industry, we note the following key opportunities and challenges in relation to the future prospects of the business:

- *Continued growth in the Inbound Segment:* Inbound Adjusted EBITDAI is forecast to increase by A$1.4 million as a result of growth in TTV of approximately 6% in FY16. This is anticipated to be driven by favourable overall market conditions, with more air capacity out of Europe, a low Australian Dollar exchange rate, support from the Australian government (i.e. advertising campaigns) and increasing international visitors from emerging countries. As set out in Section 3, the inbound market for Australia is forecast by Tourism Research Australia to remain strong for the next few years, above the global growth trend.

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- *Recovery of the Domestic Segment*: AOT expects an increase in the Adjusted EBITDAI for its Domestic Segment in FY16 by approximately $0.8m. This is mostly as a result of new contracts recently won, and an expected improvement in sales to HLO and from AOT Online, partially offset by an increase in sales and marketing expenditure.

- *AOT Hotel Segment*: AOT's contract with the Australian Government began in mid-2012. We understand that due to the significant initial and continual capital investments made by AOT in developing bespoke travel service offerings for each Government agency and the strong relationship AOT has develop with the Government, AOT is well placed to remain the incumbent provider. However, this represents a significant risk for AOT. In addition, the renewal of the contract may occur at reduced margins.

- *New Leisure Corporate business*: in August 2015, AOT has launched a new business division, Leisure Corporate, an online leisure travel portal which will allow Government employees to access all of AOT's travel products and make bookings directly online. AOT's FY16 forecast assumes that the Leisure Corporate business will generate EBITDA of approximately A$0.5 million. Whilst Leisure Corporate's year to date performance to 30 September 2015 is below forecast due to a later roll out than anticipated, we note AOT has extensive experience in providing Government online accommodation solutions and already has strong relationships with the Australian Government. As with any start-up business there is significant inherent uncertainty in relation to the survival and eventual profitability of the start-up, and it is difficult to forecast with any degree of reasonableness the future direction of the business.

- *Cost management:* In FY16, AOT expects employee expenses to remain largely steady despite an increase in the size of the business mainly due to cost containment which has been and will remain a focus of AOT moving forward and management expect to achieve further costs savings in the future.

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5.3.2 Financial position

The consolidated statement of financial position of AOT as at 30 June 2014 and 30 June 2015 are set out in the table below.

Consolidated Statement of Financial Position - AOT A$'000s	Audited 30-Jun-14	Actual 30-Jun-15
Assets		
Cash and cash equivalents	27,794	29,409
Receivables	29,829	40,746
Investments	3,724	6,711
Others	5,660	5,513
Total current assets	**67,006**	**82,379**
Non-current Assets		
Financial assets	1,640	1,948
Receivables	417	273
Property, plant and equipment	5,321	4,745
Intangible assets	18,224	18,556
Total non-current assets	**25,603**	**25,521**
Total Assets	**92,609**	**107,900**
Liabilities		
Trade and other payables	60,462	58,828
Short term borrowings	1,978	3,000
Tax related amounts	583	1,352
Provisions	2,866	2,711
Total current liabilities	**65,889**	**65,891**
Non-current liabilities		
Trade and other payables	134	179
Deferred tax liabilities	5,025	5,699
Long term borrowings	5,417	9,542
Provisions	488	474
Total non-current liabilities	**11,064**	**15,894**
Total liabilities	**76,953**	**81,785**
Net Assets	**15,656**	**26,115**

Source: AOT's statutory and management accounts for FY14 and FY15

We note the following in relation to AOT's consolidated balance sheet as at 30 June 2015:

- Current trade receivables of A$40.7 million consists of A$16.7 million of trade receivables & other debtors and A$24.0 million of receivables from associated parties. Receivables from associated parties consist of payments made by AOT on behalf of the AOT Vendors. In particular, we note that on 15 April 2015 A$11.6 million worth of HLO Shares were purchased by the AOT Vendors with funds sourced from AOT.

- Investments of A$6.7 million relate to investments in ASX listed companies (mainly in Qantas and HLO). In particular we note that AOT held approximately 13,980,629 fully-paid ordinary shares in HLO which represented a 3.18% interest in HLO. As a part of the Proposed Transaction, the shares in HLO will be transferred out of AOT to the AOT Vendors. Post 30 June 2015, the shares in Qantas were sold by AOT.

- Financial assets of A$1.9 million are in relation to investments in Down Under Answers (in which AOT has a 33% ownership) and Travel & Co (in which AOT has 15% ownership) of $1.5 million and A$0.5 million, respectively.

- The property plant and equipment were A$4.8 million which primarily relates to leasehold improvements (A$0.4 million), motor vehicles (A$1.8 million), office furniture ($1.4 million), computer equipment (A$0.6 million) and land and buildings (A$0.6 million).

- The intangible assets were A$18.6 million with the majority consisting of goodwill (A$12.6 million) as a result of prior period acquisitions.

- The external borrowings consist of approximately A$12.0 million from NAB and A$0.54 million from Westpac. AOT will be acquired by HLO under the Proposed Transaction on a debt-free and cash-free basis.

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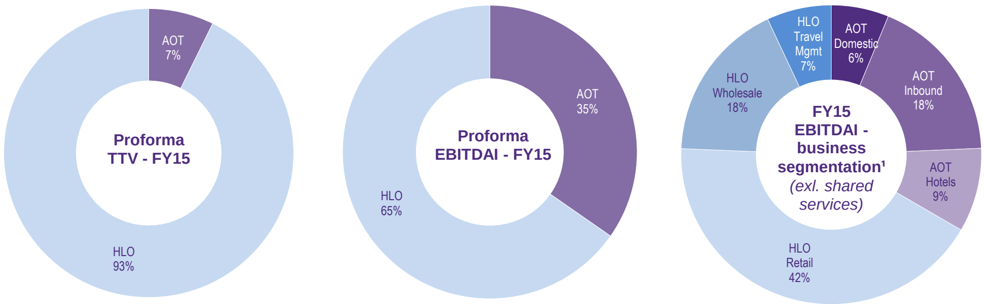
6 Overview of HLO after the Proposed Transaction (the Merged Entity)

6.1 Introduction

The graphs below provide an illustration of the Merged Entity after the Proposed Transaction.



Source: Management and calculations

Note (1): Business segmentation based on FY15 EBITDAI for HLO and AOT before any pro-forma adjustments in relation to the Proposed Transaction.

If the Proposed Transaction is completed, the Merged Entity will have the following characteristics:

- A materially larger travel services company employing more than 2,000 people located across the world with an enhanced diversity of service and product offerings.
- AOT brings to the Merged Entity well established and complementary businesses in the domestic tourism, inbound tourism and government travel management space. This is in line with HLO's vertical and horizontal integration strategy, and will likely result in both revenue[49] and cost synergies. Estimates prepared by HLO and AOT Management indicate potential cost synergies of approximately A$7.6 million per annum with one-off implementation costs of approximately A$2.0 million[50] (see Section 9.2.2 for a discussion of potential synergies arising from the Proposed Transaction).
- Combined TTV will be over A$5 billion with combined EBITDAI of A$41.4 million (based on pro forma normalised FY15 results). The EBITDAI margin[51] will increase from approximately 10% before the Proposed Transaction for HLO to 12% after the Proposed Transaction for the Merged Entity (excluding potential synergies) and non-recurring items.
- The HLO brand portfolio and franchise network model will continue and be operated largely autonomously from the AOT brand portfolio and businesses.
- We have not been advised of any intention to alter HLO's existing dividend policy of distributing between 40% to 60% of HLO's/ Merged Entity's net profit after tax.

[49] We note that the Management of HLO and AOT have not provided any estimation in relation to potential revenue synergies.
[50] EBITDA basis.
[51] Adjusted EBITDAI/net revenue.

6.2 Management and Board composition

As discussed in Section 1.1, following completion of the Proposed Transaction the Merged Entity Board will be restructured to comprise seven directors. This will include an independent chairman, an independent non-executive director, a nominee each from Qantas, Sintack, CVC, and Mr Andrew Burnes and Mrs Cinzia Burnes. Mr Andrew Burnes will also be appointed as the CEO and Mrs Cinzia Burnes as an Executive Director of the Merged Entity.

The Merged Entity Board will also be supported by a restructured corporate governance framework to incorporate the following governance principles:

- The audit, remuneration and nominations committees will be chaired by independent non-executive directors.
- The Merged Entity Board has and retains the sole right to appoint and replace the managing director, the chief financial officer, the head of internal audit and the company secretary of the Merged Entity.
- There will also be a cap on the voting power of the AOT Vendors in regards to the election of or removal of a person as a director to the Merged Entity Board under certain circumstances.

6.3 Capital structure and shareholders

Consideration for the acquisition of AOT includes the issue of 218,700,000 new ordinary shares (before the Consolidation) in HLO (subject to escrow provisions). Following completion of the Proposed Transaction, the original shareholders of HLO (excluding interest held by the AOT Vendors) will retain approximately 60% interest in the Merged Entity as summarised below:

Number of HLO Shares after the Proposed Transaction	*Note*	Number of shares	% interest Merged Entity
QH Tours Ltd		127,340,726	19.3%
Europe Voyager NV		102,568,377	15.6%
Sintack Pty Ltd		86,040,096	13.1%
The Burnes Group Pty Ltd	*Note 1*	31,000,000	4.7%
UBS Australia Holdings Pty Limited		30,632,738	4.6%
AOT	*Note 1*	13,980,629	2.1%
Other		48,767,632	7.4%
Number of HLO Shares before the Proposed Transaction		**440,330,198**	**66.8%**
Number of HLO Shares issued to AOT Vendors (i.e. the Consideration Shares)	*Note 2*	218,700,000	33.2%
Total number of HLO Shares after the Proposed Transaction		**659,030,198**	**100.0%**
Total number of HLO Shares after the Proposed Transaction and the Consolidation	Note 3	**109,838,368**	**100.0%**
Pro forma HLO (exl. AOT Vendors and associates) ownership in the Merged Entity		*60%*	
Pro forma AOT Vendors ownership in the Merged Entity		*40%*	

Source: IMA and calculations

6.4 Future intentions for HLO

The AOT Vendors' intentions in relation to the Merged Entity are set out in section 6.3.2 (e) and (f) of the Explanatory Memorandum.

6.5 Pro forma balance sheet

As set out in the Explanatory Memorandum, HLO has prepared the pro forma balance sheet after the Proposed Transaction, having regard to the audited balance sheets as at 30 June 2015. A summary is set out below. Refer to section 5.5.4 of the Notice of Meeting and Explanatory Memorandum for details.

Pro-forma balance sheet	FY15 HLO	FY15 AOT	Transaction Adjustments	Pro-forma Merged Group
Cash and cash equivalents	176.1	29.4	1.6	207.1
Trade receivables	104.9	46.1	(24.4)	126.6
Investments / Derivative financial instruments	1.6	6.7	(6.7)	1.6
Other	0.4	0.2	-	0.6
Total current assets	**283.0**	**82.4**		**335.9**
				-
Investments acounted for using the equity method	0.5	1.5		2.0
Property, plant and equipment	16.9	4.7		21.7
Intangible assets	161.4	18.5	102.6	282.5
Deferred tax assets	5.2	-		5.2
Financial assets / Defined benefit plan	3.2	0.5		3.7
Other non-current assets	0.8	0.3		1.1
Total non-current assets	**188.1**	**25.5**		**316.1**
Total assets	**471.1**	**107.9**		**652.0**
Trade payables	183.6	58.8	(18.5)	223.9
Short term borrowings	-	3.0	(3.0)	-
Tax related amounts	-	1.4		1.4
Provisions	13.1	2.7		15.8
Deferred revenue	69.3	-	18.1	87.4
Derivative financial instruments	0.0	-		0.0
Total current liabilities	**266.0**	**65.9**		**328.5**
Trade and other payables	-	0.2		0.2
Deferred tax liabilities	0.3	5.7		6.0
Long term borrowings	23.2	9.5	13.6	46.4
Provisions	1.4	0.5		1.9
Other non-current liabilities	2.7	-		2.7
Total non-current liabilities	**27.6**	**15.9**		**57.2**
Total liabilities	**293.6**	**81.8**		**385.6**
Net assets	**177.5**	**26.1**		**266.4**

Source: Management and GTCF calculations
Note (1): Grant Thornton Finance has not reviewed the assumptions adopted by HLO in the preparation of the pro form balance sheet.

7 Valuation methodologies

7.1 Introduction

As part of assessing whether or not the Proposed Transaction is fair to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared:

- Fair market value of HLO Shares before the Proposed Transaction on a control basis.

- Fair market value of HLO Shares after the Proposed Transaction on a minority basis.

In each case, Grant Thornton Corporate Finance has assessed value using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

We note, RG111 requires the fairness assessment to be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is script or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

7.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, approval of an issue of shares using item 7 of s611 of the Corporations Act, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets.

- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.

- Amount available for distribution to security holders on an orderly realisation of assets.

- Quoted price for listed securities, when there is a liquid and active market.

- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

7.3 Selected valuation methods

7.3.1 Valuation methodology for HLO and AOT

In our assessment of the fair market value of HLO and AOT, Grant Thornton Corporate Finance has relied on the capitalisation of maintainable earnings approach with regard to the following:

- This methodology is suitable for businesses like HLO/AOT that have been trading profitably for a number of years, have relatively stable operations and predictable earnings, and do not have a finite life span.

- Capitalisation of earnings based on EBITDA multiples is commonly adopted for companies in the travel services industry and for valuing a whole company for acquisition purposes where gearing is in the control of the acquirer.

- There is an adequate number of publically listed companies and recent transactions of reasonable comparability to HLO/AOT to provide meaningful analysis.

- The inherent difficulty in forecasting long-term cash flows make the discounted cash flow method inappropriate as a primary valuation method.

Our valuation assessment involves:

- Selecting an appropriate level of EBITDA (generally referred to as maintainable EBITDA), having regard to the historical and forecast operating results after adjusting for non-recurring items of income and expenditure and other known factors likely to affect the future operating performance of the business.

- Determining an appropriate EBITDA multiple having regard to the trading multiples of comparable companies and comparable transaction evidence and the specific circumstances of the company to be valued such as market positioning, quality of earnings, future growth prospects and investment risk.

We have adopted a cross-check based on a desk-top indicative DCF methodology.

We also note that in our valuation assessment of HLO, we have put limited reliance on the share trading history due to the limited liquidity of HLO shares. We note that the top 5 shareholders in HLO account for more than 85% of the total share capital of HLO. Accordingly, the trading volumes for HLO Shares on the ASX are low and the share market prices of HLO may not provide an accurate indication on the underlying value of HLO Shares.

8 Valuation assessment of HLO before the Proposed Transaction

As discussed in Section 7.3.1, we have adopted the capitalisation of earnings approach to value HLO on a standalone basis. We have cross checked our valuation assessment having regard to an indicative DCF approach.

8.1 Valuation summary

Set out below is our valuation assessment of HLO before the Proposed Transaction based on the capitalisation of maintainable earnings.

Valuation summary of HLO before the Proposed Transaction A$'000s	*Reference*	Low	High
Assessed Maintainable EBITDA	*Section 8.2*	28,000	32,000
Assessed EBITDA multiple	*Section 8.3*	6.5 x	7.0 x
Enterprise value of HLO Operating Business (control basis)		**182,000**	**224,000**
Less: One-off capital expenditure adjustment	*Section 8.4*	(10,000)	(7,000)
Add: Other net surplus assets	*Section 8.5*	4,177	4,177
Enterprise value of HLO (control basis)		**176,177**	**221,177**
Add: Adjusted net cash	*Section 8.6*	449	449
Fair market value of HLO (control basis)		**176,626**	**221,626**
Number of outstanding shares ('000s)	*Section 4.5*	440,330	440,330
Fair market value per HLO Share (A$/share) (control basis)		**0.40**	**0.50**

Source: GTCF Calculations

8.2 Maintainable EBITDA of HLO

When considering the future maintainable earnings ("FME") of HLO, we have taken into account the following:

- Historical performance for FY13 to FY15 as set out and discussed in Section 4.4.1.
- Board approved budget for FY16[52] (including subsequent rolling reforecasts) and HLO's Three-Year Plan to FY18 as discussed in Section 4.4.2.
- Broker forecast EBITDA for HLO as set out below.

Adjusted EBITDA analysis		Adjusted EBITDAI (A$'m)					
		FY13	FY14	FY15	FY16	FY17	FY18
Source	*Note*	Actual	Actual	Actual	Forecast	Forecast	Forecast
HLO Adjusted EBITDAI actuals	*Section 4.4.1*	54.1	40.6	27.5	na	na	na
Broker 1	*Note 1*	na	na	na	27.2	29.0	30.0
Broker 2		na	na	na	29.7	31.4	33.0
Broker 3	*Note 1*	na	na	na	30.2	36.0	37.0
Average		**54.1**	**40.6**	**27.5**	**29.1**	**32.1**	**33.3**

Source: Various broker reports, Management, and GTCF calculations
Note (1): Broker report EBITDA does not include interest on client funds. Accordingly, GTCF have adjusted to include interest income from client funds based on actuals and Management forecasts.

52 Details of HLO's FY16 budget and Three-Year Plan not disclosed due to confidentiality and commercial sensitivity factors.

In summary, in our assessment of the future maintainable EBITDA for HLO, we have considered the following key factors (refer to Section 4.4.2 for further insights):

- HLO's financial performance in the period between FY13 and FY15 was adversely impacted by the implementation of the Company's business transformation program. Whilst the absolute size of the network in terms of agency locations has decreased by approximately 10% during the period, we note HLO has successfully consolidated the majority of its legacy brands under a single *helloworld* brand and restructured its retail models in line with its re-focused value proposition to network members. The retail re-branding in Australia was largely completed in FY15 and the network has stabilised to approximately 1,500 locations[53] across Australia.

  Over the next few years, the benefits of the business transformation are expected to start emerging meaningfully and support profitability growth over the medium term. Though, we note the Company will need to continue to strengthen and differentiate the value proposition offered to its network members in order to preserve any positive momentum.

- The Company will realise the full year impact of the WoAG Contract win in FY16. The WoAG Contract has been crucial in helping QBT achieve commercial scale and a lower cost structure, and should assist the Travel Management Segment in tendering for other key Government and corporate clients going forward.

- Whilst the continued development of HLO's new online business may eventually result in a material new stream of revenues, we note significant further investment and strategy refinement is required. Particularly given the already significant presence of large online competitors such as Wotif, Webject and Expedia. The market share of HLO's offline retailers may also be put under added pressure with the growth in HLO's online business.

- The transition in 2016 of HLO's NZ network to *helloworld* is expected to deliver further synergies in the medium term. However, we note that based on the Australian network transformation experience, any synergies are at material risk of being eroded by the loss of agents and other implementation risks.

- Benefits in relation to HLO's recent and continual cost restructuring are expected to be realised in full over the next few years.

- Uncertain market conditions with fluctuating consumer sentiment and a low Australian Dollar in the short to medium will restrain revenue growth and margins in the absence of continual investment and innovation by companies to maintain their differentiating factor. Increasing competitive pressures from the growing presence of online travel agencies, suppliers going direct to consumers and technological change, will also continue to add to the challenge.

Based on the above discussions and a review of the information available, we have assessed the future maintainable EBITDA of HLO's Operating Business (i.e. excluding net surplus assets) between A$28 million and A$32 million.

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[53] The current network includes less than 30 locations operating under the Harvey World Travel, Travelscene, Jetset and Travelworld legacy brands.

8.3 EBITDA multiple

The selection of an appropriate EBITDA multiple is a matter of judgement and involves consideration of a number of factors including:

- The stability and quality of earnings.
- The nature and size of the business.
- The quality of the management team.
- Future prospects of the business.
- Cyclical nature of the industry.

For the purpose of assessing an appropriate EBITDA multiple range to value HLO, we have had regard to:

- The trading multiples of listed travel service companies which have been attributed by share market investors.
- The EBITDA multiples implied by recent transactions involving offline travel service companies.

8.3.1 Trading multiple

Summarised below are the trading multiples of the selected companies having regard to the trading prices:

Trading multiples analysis summary Company	Note	LTM³ Mkt Cap (A$'m)	EV/EBITDA FY14 Actual	 LTM³ Actual	 FY16 Projected	 FY17 Projected
Tier 1 - Domestic travel service providers	*Note 1*					
Webjet Ltd.		293	11.5 x	8.8 x	7.0 x	6.1 x
Flight Centre Travel Group Limited		3,862	7.4 x	8.1 x	7.6 x	7.1 x
Corporate Travel Management Limited		1,035	nm	21.5 x	16.2 x	13.8 x
Tier 1 - average			**9.5 x**	**12.8 x**	**10.2 x**	**9.0 x**
Tier 2 - International offline travel service providers	*Note 2*					
Rainbow Tours Spolka Akcyjna		115	6.0 x	6.1 x	na	na
Thomas Cook Group plc		3,859	3.3 x	3.3 x	2.8 x	2.6 x
Thomas Cook (India) Limited		1,114	25.6 x	25.8 x	15.4 x	10.9 x
Cox & Kings Limited		969	8.5 x	8.5 x	8.2 x	7.0 x
Kuoni Reisen Holding AG		1,466	5.0 x	6.3 x	6.2 x	5.3 x
Travel Expert (Asia) Enterprises Limited		77	7.4 x	7.5 x	na	na
Tier 2 - average			**9.3 x**	**9.6 x**	**8.1 x**	**6.5 x**
Tier 1&2 - average			**9.3 x**	**10.7 x**	**9.0 x**	**7.6 x**
Tier 1&2 - median			**7.4 x**	**8.1 x**	**7.6 x**	**7.0 x**

Source: CapitalIQ, annual reports of comparable companies and GTCF calculations
Note (1): We have adjusted to remove cash held on behalf of clients as considered operating in nature for tier 1 companies
Note (2): We note the proportion of cash funds held on behalf of clients was not disclosed; accordingly we have not adjusted for tier 2 companies
Note (3): Last twelve months from 1 November 2015
Note (4): Projected EBITDA for FY16 and FY17 are based on average of broker estimates sourced from CapitalIQ as at 1 November 2015

A brief description of the companies listed in the table above is set out in Appendix C. We note the following in relation to the comparable companies:

- The EBITDA multiples presented above reflect the value of underlying companies on a minority basis and do not include a premium for control.

- We have selected two tiers of comparable companies. Tier 1 consists of domestically headquartered travel service companies which similar to HLO, focused on the Australian market. However, given the limited number of Tier 1 companies, particularly those operating an offline model, we have also selected a second tier of comparable companies. Tier 2 consists of international companies focused on the provision of offline travel agency services.

- In our detailed review of each comparable company we also noted the following key similarities and differentiating factors:

  - All of the selected Tier 1 comparable companies are significantly more internationally diversified than HLO. Companies with globally diversified operations tend to have less exposure to country specific risks including political risks, exchange rate risks and other macroeconomic risks, and will consequently trade at higher multiples. Similarly, Tier 2 companies all operate in different geographies to HLO and are likely exposed to different country specific risks. In particular, we note companies operating in emerging market countries such as Thomas Cook (India) and Cox & Kings benefit from significantly higher expected economic growth rates in comparison to more developed countries like Australia.

  - Majority of the selected companies are considerably larger than HLO. All else being equal, larger companies tend to trade at higher multiples. Webjet, Rainbow Tours and Travel Expert are most similar to HLO in terms of market capitalisation on a relative basis. However, we note that HLO's franchise network consists of approximately 1,700 agencies which is significantly larger than Rainbow Tour's 74 owned and 3 franchise agencies, and Travel Expert's 60 owned agencies. Webjet is an online travel service provider and does not manage any offline agencies. In terms of network size, Flight Centre is relatively the most comparable with approximately 2,825 agencies (mostly owned) across its international network out of which 1,510 are located in Australia.

  - HLO's large agency network is built almost entirely on a franchise model. We note that none of the Tier 1 companies operate under this structure. From Tier 2 companies, Thomas Cook (India), Cox & Kings and Kuoni have a material proportion of their agency networks managed under a franchise model or the similar, preferred agent model[54]. Thomas Cook India manages a network of approximately 300 agencies with 76% being franchisees/preferred agents, Cox & Kings manages a network of approximately 245 agencies with approximately 95% being franchisees/preferred agents and approximately 35% of Kuoni's 245 agencies are franchisees.

  - A number of the selected comparable companies are significantly more vertically integrated than HLO. All Tier 2 companies except for Travel Expert are engaged in tour operations

[54] The 'preferred agent model' is similar to a franchise model on a high-level basis given that the agency stores are separately owned by a third party and the comparable company earns a fee for the sale of wholesale content to the agency. However, the comparable company would typically not earn a 'fee' from the agency for being a part of the network or have to pay an override commission to the preferred agency.

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which are packaged and sold through their agency networks. In particular, we note Thomas Cook Group also owns and operates 88 aircrafts, and has approximately 500 concept and partnership hotels which are mostly exclusively available to only Thomas Cook customers. Cox & Kings also operates 16 hybrid hotels in Europe under the Meininger brand which contributed to approximately 16% of net revenues in FY15, and sources approximately 29% of its net revenues from the operation of experiential outdoor learning campuses targeted at children in the United Kingdom. In addition both Thomas Cook (India) and Cox & Kings also operate large foreign exchange businesses.

On the other hand, we note that Corporate Travel Management is mainly engaged in the provision of travel management solutions to the corporate market, and Travel Expert is solely involved in the retail space (i.e. running offline travel agencies). These two companies are relatively less integrated in comparison to HLO.

- HLO is focused almost entirely on the provision of outbound travel services whereas most of the comparable companies have material operations in both inbound and outbound travel markets.

- Kuoni's multiples are likely to be impacted by a number of recent divestments made by the company. Importantly, we note that Kuoni has divested of all tour operating activities to focus on its global B2B travel services business, specifically its travel distribution and visa processing businesses. The company was also materially adversely impacted by the Swiss National Bank's recent decision to abandon the minimum exchange rate against the euro.

- We note that companies with higher growth prospects tend to trade at higher multiples. Based on our analysis below, it can be observed that HLO's historical and forecast three years EBITDA growth is below the average of the comparable companies as forecast by the market. HLO's EBITDA margin is also lower than majority of the selected comparable companies, particularly Tier 1 companies which is partly due to HLO's franchise model and business mix.

Growth and margin analysis Company	LTM EBITDA (A$'m)	3-yr EBITDA Hisotrical CAGR¹ (% pa)	 Historical avge. margin¹ (% net rev)	 Forecast CAGR² (%pa)
HLO	27.5	(29%)	13%	8%
Tier 1 - Domestic travel service providers				
Webjet Ltd.	27.5	50%	26%	20%
Flight Centre Travel Group Limited	413.4	5%	41%	6%
Corporate Travel Management Limited	48.0	58%	59%	25%
Tier 1 - average	**163.0**	**38%**	**42%**	**17%**
Tier 2 - International offline travel service providers				
Rainbow Tours Spolka Akcyjna	13.6	180%	18%	na
Thomas Cook Group plc	901.9	25%	20%	8%
Thomas Cook (India) Limited	41.5	39%	19%	29%
Cox & Kings Limited	193.8	121%	18%	2%
Kuoni Reisen Holding AG	191.5	(3%)	19%	(10%)
Travel Expert (Asia) Enterprises Limited	9.5	12%	18%	na
Tier 2 - average	**225.3**	**62%**	**18%**	**7%**
Tier 1&2 - average	**204.5**	**54%**	**26%**	**12%**

Source: CapitalIQ, annual reports of comparable companies and GTCF calculations
Note (1): Historical EBITDA CAGR and margins sourced from relevant annual reports. EBITDA margin calculated as EBITDA (excluding exceptional items) divided by net revenues (or gross profit)
Note (2): Forecast EBITDA CAGR based on average of broker forecasts as at 1 November 2015

Overall, whilst none of the peer companies are perfectly comparable to HLO, we believe the selected comparable companies as a whole, particularly Flight Centre, provides a good guidance for the EBITDA multiple applicable to HLO.

8.3.2 Control premium

The trading multiples have been calculated based on the market price for minority or portfolio shareholdings and do not include a premium for control. A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- The ability to realise basic synergistic benefits.
- Access to cash flows.
- Access to tax benefits.
- Control of the board of directors of the company.

Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% and that the premiums vary significantly from transaction to transaction.

We have incorporated a premium for control in our assessment of the EBITDA multiple of listed comparable companies.

In accordance with RG 111, our assessment of HLO will be conducted assuming 100% ownership of all the outstanding securities in HLO.

8.3.3 Transaction multiple

We have further considered multiples implied by historical transactions involving companies comparable to HLO. The table on the following page summarises the EBITDA multiples implied by these historical transactions.

In relation to the EBITDA multiple implied by comparable transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special values paid for by the acquirers.
- The multiples may reflect synergies paid by the acquirer which may be unique to the acquirers.
- The transactions observed took place during the period between May 2010 and August 2015. Economic and market factors, including competition dynamics and consumer confidence may be materially different from those current as at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses.

- The transaction multiples are calculated based on the historical EBITDA of the acquired companies (unless otherwise stated) which typically tends to provide higher multiples due to the growth expectations typically included in forecast financial performance.

Date	Target Company	Country	Target network size	Bidder Company	Stake (%)	Deal Value (A$'m)	EBITDA Multiple (Times)[1]	Status
Tier 1 - Domestic travel service providers[2]								
Apr-15	HLO	Australia	1,765 (franchise/affiliate)	Andrew Burnes and Cinzia Burnes	7.0%	11.2	5.9 x[3]	Closed
Feb-15	HLO	Australia	1,765 (franchise/affiliate)	Sintack Pty Ltd.	7.0%	12.0	6.4 x[3]	Closed
Jul-14	Wotif.com Holdings Limited	Australia	na	Expedia Inc.	100%	652.0	9.8 x	Closed
Aug-13	ATS	Australia	na	AOT	100%	5.2	4.7 x	Closed
May-10	Jetset/Stella merger [4] (nka: HLO)	Australia	670 (franchise/affiliate)	Jetset/Stella merger [4] (nka: HLO)	100%	282.4[4]	8.8 x[4]	Closed
Tier 1 - average						**161.9**	**7.1 x**	
Tier 2 - International offline travel service providers[5]								
Aug-15	Kuoni Travel (India) Private Limited and Kuoni Travel (China) Limited	India	21 (owned) & 85 (franchise)	Thomas Cook (India) Limited	100%	108.6	17.6 x	Announced
Apr-15	China Comfort Travel Group Co., Ltd.	China	82 (franchise)	Shenzhen Dongsheng Huamei Cultural Travel Company Limited	49%	92.3	22.5 x	Closed
Mar-15	Thomas Cook (India) Limited	India	69 (owned), 110 (franchise) & 114 (preferred agents)	Hamblin Watsa Investment Counsel Ltd.; HWIC Asia Fund	30%	351.0	27.7 x	Closed
Dec-14	Chambers Travel Group Limited	United Kingdom	na	Corporate Travel Management Limited	100%	115.8	7.0 x	Closed
Aug-14	Top Deck Tours Limited	United Kingdom	na	Flight Centre Travel Group Limited	90%	41.6	6.4 x	Closed
Jun-14	TUI Travel PLC	United Kingdom	1,800 (owned)	TUI AG	46%	3,491.8	7.8 x	Closed
May-12	Thomas Cook (India) Limited	India	194 (owned), 123 (franchise) & 166 (preferred agents)	Fairbridge Capital Private Limited	77%	201.6	9.1 x	Closed
Tier 2 - average						**629.0**	**14.0 x**	
Tier 1 & 2 - average						**413.4**	**11.1 x**	
Tier 1 & 2 - median						**108.6**	**8.3 x**	

Source: CapitalIQ, annual reports, investor presentation and GTCF calculations

Note (1): Transaction multiples are calculated based on the historical EBITDA.
Note (2): We have adjusted to remove cash held on behalf of clients as considered operating in nature for tier 1 companies
Note (3): Based on FY15 Adjusted EBITDAI (i.e. forward multiple)
Note (4): The implied EBITDA multiple of the Jetset Travelworld/Stella transaction has been calculated based on the EV and the FY10 EBITDA for the merged group excluding synergies as set out in the Independent Expert's Report dated 28 July 2010, and is on a minority basis.
Note (5): We note the proportion of cash funds held on behalf of clients was not disclosed; accordingly we have not adjusted for tier 2 companies

In our opinion, the Tier 1 selected transactions are the most comparable and relevant for the purposes of valuation of HLO.

We note the following in relation to the Tier 1 transactions:

- In April 2015 and in February 2015, two significant off-market transactions in HLO were completed with the AOT Vendors and Sintack respectively as outlined below:
  - Sintack acquired approximately 30.8 million HLO Shares at A$0.39/share which

represented a 39.5% premium to the previous day Volume Weighted Average Price ("VWAP"). The substantial premium paid likely reflected the increase in Sintack's interest in HLO from approximately 12.6% to 19.6% as a result of the acquisition. We also note that Sintack already had a nominated director on the Board of HLO.

- The AOT Vendors acquired 31.0 million HLO Shares at A36cents/share which represented a 5.9% premium to the previous day VWAP. Unlike Sintack, the AOT Vendors were only increasing their interest in HLO from approximately 3.2% to 10.2%, did not have any existing representation on the Board of HLO, and acquired the 31.0 million HLO Shares from two separate parties (i.e. 15.5 million shares or 3.5% interest in HLO from each).

- The transactions involving Wotif and ATS are relatively less comparable as they involve businesses that are substantially different in operating structure and scale compared to HLO. Wotif is a pure online travel services business and ATS is a small inbound focused wholesaler.

- The merger of Jetset Travelworld with Stella in September 2010 ("Merged Jetset") (which ultimately rebranded to HLO) is evidently the most comparable transaction. However, we note the following key considerations:

  - The implied EBITDA multiple of 8.8 times is calculated based on the EV (on a minority basis) and the pro-forma normalised FY10 EBITDA for the Merged Jetset, excluding synergies[55], as set out in Jetset Travelworld's Independent Expert's Report dated 28 July 2010.

  - The transaction was formed during a period that was significantly adversely impacted by the global financial crises. In FY10, the pro-forma normalised EBITDA of A$33.3 million for the Merged Jetset was approximately 44% lower than in FY09. Both businesses were expected to experience a recovery of earnings in 2011 to be more in line with historical earnings. Accordingly, as stated in Jetset Travelworld's Independent Expert's Report, the implied EBITDA multiple of 8.8 times reflects the potential growth above the relatively depressed earnings and margins in FY10.

  - Despite being impacted by the global financial crises, the FY10 EBITDA for the Merged Jetset of A$33.3 million was higher than the FY15 Adjusted EBITDAI for HLO of A$27.0 million by approximately 23% (or A$6.3 million). We note that HLO's normalised EBITDAI margins have also declined significantly from around 14% in FY11 to 10% in FY15. This is largely due to the reduction in the size of HLO network, improved agent remuneration model and increased marketing spend arising from the significant business transformation over the last few years. Since FY10, HLO's network has reduced by from 2,200 agencies to 1,700 agencies in FY15.

    Unlike in FY10 where future growth in earnings was expected to be largely driven by a recovery in the underlying economy, the future growth from FY15 is based on much more uncertain and complex company specific factors. In particular, the benefits from the

[55] We note that if synergies as estimated by the Independent Expert were included in the estimated enterprise value, the EBITDA multiple would have been 11.1 times using normalised FY10 EBITDA and 8.5 times using normalised FY10 EBITDA plus expected annual synergies.

helloworld rebranding are still yet to materialise meaningfully, and further restructuring and capital investment is required to deliver the value proposition promised to network agents as a part of the business transformation.

- The Travel Management Segment is the only business division of HLO that has attained material performance improvements since FY10. This is largely driven by the recent win of the WoAG Contract by QBT. In FY10, the Travel Management Segment was generating negative EBITDA of approximately A$3.6 million.

Overall, whilst the merger of Jetset Travelworld and Stella needs to be considered with some caution, we believe that along with the other selected comparable transactions and listed trading companies, it provides good guidance for the EBITDA multiple applicable to HLO.

8.3.4 EBITDA multiple – Conclusion

Based on the analysis of listed comparable companies and comparable transactions, Grant Thornton Corporate Finance has assessed an EBITDA multiple for the valuation of HLO between 6.5 times and 7.0 times on a control basis mainly having regard to the following:

- AOT and Sintack acquired a relevant interest in HLO of approximately 7% each and paying a forecast EBITDA multiple of between 5.9 times and 6.4 times, respectively.
- Flight Centre is trading at an EBITDA multiple on a minority basis of between 7.5 times and 8.0 times.
- The enlarged entity arising from the merger between Jetset Travelworld and Stella was valued at approximately 8.8 times on a minority basis in 2010. However, the multiple incorporated a significant allowance for growth following a trough in the industry subsequent to the global financial crises.

8.4 One-off capital expenditure adjustment

Based on review of HLO's FY16 budget, three-year plan and discussions with Management, we have considered that between A$7.0 million to A$10 million of additional one-off growth capital expenditure (net of the tax benefit on the depreciation) is expected to be required over the short-term. The one-off capital expenditure will be utilised to support the delivery of the renewed value proposition to network agents under the business transformation, and will include mainly technology improvements and implementation costs for the transition of HLO's New Zealand network in FY16. Given that this one-off capital expenditure is not reflected in the multiples of comparable companies, we have accounted for it separately.

8.5 Adjusted net surplus assets

For the purpose of this report, we have assessed the fair market value of surplus assets and liabilities of HLO based on the audited balance sheet as at 30 June 2015. Our assessment of HLO's surplus assets and liabilities are set out below:

Adjusted net surplus assets A$'000s	Reference	30 June 2015
Net derivative finanical instruments	Section 4.2.2	1,590
Investment properties	Section 4.2.2	175
Defined benefit plan assets	Section 4.2.2	3,062
Fair market value of the HLO Performance Rights	Note 1	(650)
Total adjusted net surplus assets		**4,177**

Source: 2015 HLO Annual Report and calculations

Note (1): The fair market value of 2015 Grant HLO Performance Rights (2.1 million rights) is based on the fair value of A$0.27 per right at grant date (27 Feb 2015) per 2015 Annual Report. For the 2013 Grant HLO Performance Rights (0.4 million rights), we have adopted nil value as given the recent and forecast performance of HLO and short time to maturity, it is unlikely the rights will be able to vest.

8.6 Adjusted net cash

For the purpose of our valuation assessment, we have adopted the adjusted net cash as at 30 June 2015 of A$2.5 million adjusted for the expected non-contingent transactions costs in relation to the Proposed Transaction as detailed in the table below.

Adjusted Net cash/(debt)	Reference	A$'000s
Cash and cash equivalents	Note 1	27,365
Borrowings	Section 4.4.3	(24,861)
Total net cash/(debt) as at 30 June 2015		**2,504**
Add: Deferred ATS consideration receivable	Note 2	345
Less: Non-contingent transaction cost	Note 3	(1,500)
Less: NZ shops outstanding acquisition price	Note 4	(900)
Total adjusted net case/(debt)		**449**

Source: 2015 HLO Annual Report and calculations

(1) *Cash and cash equivalents* – Cash of A$148.8 million held on behalf of clients as at 30 June 2015 is considered operational in nature and an integral component of working capital for the Company. Accordingly, we have only included non-client cash of A$27.4 million in our assessment of the adjusted net debt.

(2) *Deferred ATS consideration* – We have been advised by HLO Management that there is approximately A$0.345 million in deferred consideration payable by AOT in relation to the ATS acquisition over the next year.

(3) *Transaction costs* – For the purposes of the valuation, Grant Thornton Corporate Finance has considered the costs associated with the Proposed Transaction. Management has advised that the estimated transaction costs still to be incurred by HLO as at 30 June 2015 will be approximately A$1.5 million irrespective of whether the Proposed Transaction is completed or otherwise.

(4) *NZ acquisition price* – In November 2015, HLO acquired 6 stores in the Air New Zealand Holidays retail network. Management have advised that approximately A$0.9 million in purchase consideration will be paid by HLO. The potential economic benefits of this acquisition are captured in our assessment of the maintainable EBITDA.

8.7 Sensitivity analysis

We have also conducted a sensitivity analysis to highlight the impact on the share price of HLO (control basis) caused by movements in the maintainable EBITDA and EBITDA multiple.

Assessed EBITDA Multiple	Maintainable EBITDA						
	20,000	25,000	28,000	30,000	32,000	35,000	40,000
5.5 x	0.24	0.30	0.34	0.37	0.39	0.43	0.49
6.0 x	0.26	0.33	0.37	0.40	0.43	0.47	0.54
6.5 x	0.29	0.36	0.40	0.43	0.46	0.51	0.58
7.0 x	0.31	0.39	0.44	0.47	0.50	0.55	0.63
7.5 x	0.33	0.42	0.47	0.50	0.54	0.59	0.67
8.0 x	0.35	0.45	0.50	0.54	0.57	0.63	0.72

Source: Calculations

Note (1): Sensitivity analysis based on the mid-point of the low- and high-end of the assessed net synergies and the one-off capital expenditure adjustment.

These sensitivities do not represent a range of potential values of HLO, but they intend to show to the HLO Shareholders the sensitivity of our valuation assessment to changes in certain variables.

8.8 Valuation cross check – Indicative DCF

Prior to reaching our valuation conclusion, we have also considered the DCF methodology as a cross check to our valuation of the enterprise value of HLO's Operating Business[56] (on a control basis) derived using the capitalisation of maintainable earnings approach. Specifically, based on the normalised EBITDAI assessed in Section 8.2, we have estimated the future maintainable free cash flows and capitalised them in perpetuity having regard to a discount rate based on the weighted average cost of capital ("WACC").

8.8.1 Key valuation assumptions

The key valuation assumptions underlying the indicative DCF are summarised below:

- *EBITDA* – In our application of the indicative DCF approach we have derived the maintainable EBITDA for HLO of between A$29 million to A$33 million based on the following:
  - Our assessment of the future maintainable EBITDA of between A$28 million to A$32 million as set out in Section 8.2; plus
  - Estimated net corporate overhead savings of A$1 million per annum expected to be commonly available to a group of potential purchasers. We expect such savings to be mostly limited to listing costs, and a portion of head office costs and director fees. This is based on the observation that most travel service companies operate a portfolio of brands (often autonomously) and that there is a high risk of destabilising HLO's franchise network if any further re-branding or restructuring is introduced.

[56] Enterprise value of HLO's Operating Business is before the one-off capital expenditure adjustment and surplus net assets.

We note that the estimated net corporate overhead savings are reflected in the EBITDA multiple adopted in our primary valuation assessment on a control basis.

- *Capital expenditure*[57] – Over the last few years HLO has experienced a significant increase in capital expenditure levels largely as a result of the business transformation. Based on discussions with HLO Management and consideration to Management's forecast maintenance capital expenditure over the next three years (i.e. excluding growth capital expenditure), we have adopted a maintainable capital expenditure level of A$6.0 million. We note that this does not take into account the one-off capital expenditure adjustment of between A$7.0 million to A$10.0 million.

- *Depreciation & amortisation* – For the purpose of our valuation crosscheck, we have assessed the normalised depreciation & amortisation to be in line with our assessed maintainable capital expenditure. This is consistent with historical depreciation & amortisation levels on a normalised basis.

- *Changes in working capital* – Given we have assessed a perpetual growth rate in line with inflation we have estimated that changes in working capital are negligible.

- *Tax rate* – Income tax has been calculated by applying the Australian statutory company tax rate of 30% to the notional taxable income.

- *Long term growth rate* – for the purpose of our valuation, we have assumed the long term growth rate of 2.5% in line inflation. We note that it is the RBA's policy to maintain long term inflation rate between 2% and 3%.

- *Discount rate* – Grant Thornton Corporate Finance has applied a nominal, post-tax WACC in the range of 12.0% and 12.5% to value HLO. The selected WACC reflects, among the other things, the conservative growth assumptions adopted in the DCF methodology and the company specific factors as discussed in Section 8.2. Refer to Appendix B for further details.

We note the assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of a similar business. We note that the assumptions used in the DCF valuations are inherently subject to considerable uncertainty. It should be noted that the value of HLO could vary materially based on changes in certain key assumptions.

[57] Capital expenditure includes expenditure on both tangible and intangible assets as we have not adjusted EBITDAI to remove the capitalisation of intangible asset expenditure/ development costs.

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8.8.2 Enterprise value of HLO – indicative DCF methodology

The following table summarises our valuation assessment of the enterprise value of HLO (on a control basis and before one-off capital expenditure adjustments) using DCF methodology:

Valuation crosscheck - indicative DCF method		Reference	HLO (standalone)	
			Low (A$'000s)	High (A$'000s)
Maintainable adjusted EBITDA (including overhead savings)		*Section 8.8.1*	29,000	33,000
Less: D&A		*Section 8.8.1*	(6,000)	(6,000)
EBIT			**23,000**	**27,000**
Less: Tax	*30%*	*Section 8.8.1*	(6,900)	(8,100)
EBIT after tax			**16,100**	**18,900**
Add: D&A		*Section 8.8.1*	6,000	6,000
Less: Changes in working capital		*Section 8.8.1*	-	-
Less: Capital expenditure		*Section 8.8.1*	(6,000)	(6,000)
Free cash flow to firm			**16,100**	**18,900**
Discount rate		*Appendix B*	12.5%	12.0%
Long term growth		*Section 8.8.1*	2.5%	2.5%
Enterprise value of HLO Operating Business (control basis) (before one-off capex)			**165,025**	**203,921**

Source: Management and Calculations

Based on the analysis above, we have assessed the enterprise value of HLO between A$165.0 million and A$203.9 million on a control basis and before one-off capital expenditure adjustment. We note that this is broadly consistent with our assessed enterprise value of HLO under the primary EBITDA multiple approach between A$182 million and A$224 million on a control basis and before one-off capital expenditure adjustment. Accordingly, we conclude that our valuation based on the capitalisation of EBITDA is reasonable.

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8.9 Valuation cross check – quoted security

Prior to reaching our valuation conclusion, we have also considered the quoted security price as a cross check to the values derived using the sum of parts approach. In accordance with the requirements of RG111, we have considered the listed securities' depth, liquidity, and whether or not the trading prices are likely to represent the market value of HLO. The following table summarises the monthly trading volume of HLO since November 2014:

Month end	Volume traded ('000)	Monthly VWAP ($)	Total value of shares traded ($'000)	Volume traded as % of total shares	Volume traded as % of free float shares
Nov 2014	148	0.26	38	0.03%	0.22%
Dec 2014	1,092	0.33	357	0.25%	1.63%
Jan 2015	294	0.27	80	0.07%	0.44%
Feb 2015	32,581	0.39	12,650	7.40%	48.70%
Mar 2015	125	0.34	42	0.03%	0.19%
Apr 2015	716	0.36	260	0.16%	1.07%
May 2015	1,253	0.39	493	0.28%	1.87%
Jun 2015	2,139	0.37	796	0.49%	3.20%
Jul 2015	114	0.34	39	0.03%	0.17%
Aug 2015	297	0.31	92	0.07%	0.44%
Sep 2015	472	0.32	153	0.11%	0.71%
Oct 2015	275	0.29	79	0.06%	0.41%
Period to 16 Nov 2015	429	0.30	130	0.10%	0.64%
Min				**0.03%**	**0.17%**
Max				**7.40%**	**48.70%**
Average				**0.70%**	**4.59%**

Source: CapitalIQ and Calculations

Based on the above table, we note the following:

- HLO complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of HLO.

- In the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their portfolio investment.

- During the selected period, approximately only 9.0% of the total HLO Shares outstanding were traded given the very limited free float. This indicates that the historical liquidity levels in HLO Shares are relatively limited. Accordingly, the trading share price of HLO may not be reflective of market value. As a result, we have placed limited reliance on the trading prices of HLO.

- HLO Shares have been quite volatile in past months, with the minimum and maximum monthly VWAP price varying between A$0.26 and A$0.39 per share between 1 November 2014 and 16 November 2015.

Set out below is the VWAP of HLO share price before the announcement of the Proposed Transaction.

VWAP (A$/share)	Low	High	VWAP
Prior to 11 November 2015 (announcement HLO recommenced discussions with AOT)			
5 day	0.28	0.31	0.31
1 month	0.28	0.31	0.30
2 month	0.28	0.31	0.30
3 month	0.28	0.37	0.31
6 month	0.28	0.42	0.35

Source: CapitalIQ and Calculations

The average trading VWAPs for the selected periods above have ranged between A$0.30 and A$0.35 before the announcement of the Proposed Transaction on a minority basis.

Whilst there is limited liquidity in HLO trading prices, our valuation assessment of HLO on a control basis is not inconsistent with the trading prices of HLO once a premium for control is taken into account (see Section 8.3.2 for further details on control premiums).

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9 Valuation assessment of HLO after the Proposed Transaction

In this section of the report, we have estimated the fair market value of the shares in HLO after Proposed Transaction ("Merged Entity Shares") on a minority interest basis.

In assessing the fair market value of HLO after the Proposed Transaction, Grant Thornton Corporate Finance has aggregated the following:

- The market value of the combined Merged Entity on a minority basis. We have aggregated the normalised EBITDAI of HLO and AOT (excluding synergies) and then we have selected an appropriate EBITDA multiple for the Merged Entity that reflects the risk of the business and the stream of income that it generates.

- Value of expected synergies to be realised as a result of the Proposed Transaction.

- Merged Entity's pro-forma net debt at completion of the Proposed Transaction as set out in Section 6.5.

- Transaction costs.

9.1 Valuation summary

Set out below is a summary of our valuation assessment of HLO after the Proposed Transaction based on the future maintainable earnings.

Valuation summary of HLO after the Proposed Transaction (i.e. the Merged Entity) A$'000s	Reference	Low	High
Assessed Maintainable EBITDA for the Merged Entity	*Section 9.2*	49,000	55,500
Assessed EBITDA multiple	*Section 9.3*	6.5 x	7.0 x
Enterprise value of the Merged Enitity Operating Business (control basis)		**318,500**	**388,500**
Less: One-off capital expenditure adjustment	*Section 8.4*	(10,000)	(7,000)
Enterprise value of the Merged Entity (control basis)		**308,500**	**381,500**
Add: Other net assets	*Section 9.4*	6,647	6,647
Add: Adjusted net cash/ (debt)	*Section 9.5*	(23,788)	(23,788)
Fair market value of the Merged Entity (control basis)		**291,359**	**364,359**
Number of outsanding shares ('000s)	*Section 6.3*	659,030	659,030
Fair market value per Merged Entity Share (A$/share) (control basis)		**0.44**	**0.55**
Minority discount	*Note 1*	23%	23%
Fair market value per Merged Entity Share (A$/share) (minority basis)		**0.34**	**0.43**

Source: Calculations

Note (1): As set out in Section 8.3.2, evidence from Australian studies indicates that the premium for control on successful takeovers has typically been in the range of 20% to 40% in Australia. The minority discount is the inverse of the premium for control (minority interest discount = 1-(1/1+control premium))) and is accordingly, between 17% and 29%. In our valuation assessment, we have adopted a minority discount of 23% which is approximately the midpoint of the range of the observed minority discount.

9.2 Maintainable EBITDA of the Merged Entity

The following table summarises the maintainable EBITDA of the Merged Group.

Future maintainable EBITDA for the Merged Entity A$'000s	Reference	Low	High
Assessed maintainable EBITDA for HLO	*Section 8.2*	28,000	32,000
Assessed maintainable EBITDA for AOT	*Section 9.2.1*	15,000	17,000
Net potential synergies	*Section 9.2.2*	6,000	6,500
Assessed maintainable EBITDA for the Merged Entity		**49,000**	**55,500**

Source: Calculations

9.2.1 Assessed maintainable EBITDA of AOT

When considering the FME of the Merged Entity, we have taken into account the assessed maintainable EBITDAI for HLO as set out in Section 8.2, and the assessed future maintainable EBITDAI for AOT based on the following:

- Historical performance of AOT for FY13 and FY14, and forecast FY16 as set out and discussed in Section 5.3.

- Discussions with AOT Management.

- Grant Thornton Corporate Finance understands of the business and the industry.

In summary, in our assessment of the future maintainable EBITDA for AOT, we have considered the following key factors (refer to Section 5.3 for additional insights and an overview of the financial performance of AOT):

- AOT's uplift in financial performance in FY15 was mainly as a result of the full year impact of its acquisition of ATS in FY14, favourable market conditions supporting increased inbound travel demand, and the AOT Hotels Segment benefiting from increased compliance requirements introduced by the Government. This was partially offset by decreased profits from the Domestic Segment which was adversely impacted by lower sales to HLO (largely as a result of HLO's business transformation) and lower sales from its online business.

- Going forward, AOT expects to continue to benefit from strong inbound market and its strong relationship with the Australian Government under its Hotels Segment. This has already been reflected in above budget year-to-date performance by AOT.

- However, we note that increasing industry competition from peers, global online providers and the vertical integration of suppliers may challenge AOT's ability to realise its anticipated growth and erode its margins, particularly in the longer term.

- Another key area of growth for AOT is the expected improvement in sales to HLO, its largest Domestic Segment customer (constituted approximately 30% of TTV for the Domestic Segment in FY15). Given the recent business transformation of HLO, we have considered the future prospects of the HLO business with caution as discussed in Section 8.2.

- AOT has also recently established a new business, Leisure Corporate which leverages off AOT's existing experience of working with the Australian Government. In FY16, Leisure Corporate is forecast to contribute approximately A$0.5 million in EBITDA. Though, as with any start-up business there is significant inherent uncertainty around the future prospects of the start-up.

- AOT has performed above budget for the 3 months to 30 September 2015 and forward bookings indicate further outperformance for the business. However, we note that like HLO, the business is inherently seasonal and that majority of the forecast profits are expected to be generated in the December and March quarters. Nevertheless, in our opinion this places AOT in a strong position to achieve its forecast FY16 EBITDAI.

Based on the analysis in the previous sections, we have assessed the future maintainable EBITDA of AOT between A$15 million and A$17 million.

9.2.2 Potential synergies

For the purpose of our valuation assessment of the fair market value of the Merged Entity, we have also taken into consideration the synergies expected to be realised as a result of combining HLO with AOT in the Merged Entity.

In our consideration of potential synergies, we have had regard to the following:

- Net cost synergy estimates prepared by HLO and AOT Management which include a high-level profiling of expected cost savings and related implementation costs. We note the reasonableness of the synergy estimates have also been independently reviewed at a high-level as part of the financial due diligence of AOT.

  The identified cost synergies of approximately A$7.6 million per annum are expected to arise mainly from the streamlining of head office administrative systems, IT systems, advertising materials and, in some areas, HLO and AOT personnel. The Management of HLO have advised that these synergies are expected to be of relatively low risk and should be achievable by 30 June 2017. One-off implementation costs of approximately A$2.0 million have also been estimated.

- A small portion of the net cost synergy estimates prepared by HLO and AOT Management are already incorporated in our selection of the EBITDA multiple on a control basis, which mainly relate to the estimated corporate overhead savings available to a pool of potential purchasers. As discussed in Section 8.8.1, we have estimated these common savings to be approximately A$1.0 million.

- We note that other operational and financial benefits are expected to arise which are not immediately quantifiable and have not been included by Management in the estimated potential synergies.

- We have accounted for the one-off implementation costs of approximately A$2.0 million separately as set out in Section 9.5.

On the basis of the above, we have assessed the potential synergies arising from the Proposed Transaction to be in the range of A$6.0 million to A$6.5 million per annum (excluding one-off implementation costs), and have incorporated these into our assessed maintainable EBITDA for the Merged Entity.

9.3 EBITDA multiple

For the purpose of assessing an appropriate EBITDA multiple range to value the Merged Entity, we have had regard to:

- HLO and AOT will account for approximately 65% and 35% of the maintainable EBITDA of the Merged Entity, respectively as assessed by Grant Thornton Corporate Finance going forward (see Section 9.2). Accordingly, we have had particular consideration to our selected EBITDA multiple for HLO in the range of 6.5 times to 7.0 times as set out in Section 8.3.

- Whilst both HLO and AOT operate in the travel services industry in Australia, HLO is mainly focused on the outbound retail market whereas AOT is more focused on the inbound and government/ corporate travel services management markets. As discussed in the industry overview Section 3, over the medium term the inbound market is expected to perform above the outbound market, and retail is expected to experience significant competitive pressures. We note that we have considered this difference in expected growth in our adopted future maintainable EBITDA.

Based on the above, Grant Thornton Corporate Finance has assessed an EBITDA multiple for the valuation of the Merged Entity between 6.5 times and 7.0 times on a control basis.

9.4 Adjusted net surplus assets

For the purpose of this report, we have assessed the fair market value of surplus assets and liabilities of the Merged Entity based on the pro-forma balance sheet as at 30 June 2015 as set out in Section 6.5. Our assessment of the Merged Entity's adjusted surplus assets and liabilities are set out below:

Adjusted net surplus assets A$'000s	Reference	Pro-forna 30 June 2015
Investments / Derivative financial instruments	*Section 6.5*	3,580
Financial assets / Defined benefit plan	*Section 6.5*	3,717
Fair market value of the HLO Performance Rights	*Section 8.5*	(650)
Total adjusted net surplus assets		**6,647**

Source: Pro-forma, HLO 2015 Annual Report, Management and calculations
Note (1): The fair market value of the FY15 grant of HLO Performance Rights as set out in the 2015 HLO Annual Report.

9.5 Adjusted notional net debt

The adjusted proforma notional net debt of the Merged Entity is summarised in the table below:

Adjusted net cash/(debt)	Reference	A$'000s
Cash and cash equivalents	Section 6.5, 8.6	28,430
Borrowings	Section 6.5, 8.6	(46,420)
Total net cash/(debt)		**(17,990)**
Add: Deferred ATS consideration receivable	Note 1	-
Less: Transaction cost	Note 2	(2,900)
Less: NZ shops outstanding acquisition price	Section 8.6	(900)
Less: Implementation costs in relation to synergies	Section 9.2.2	(1,998)
Total adjusted net cash/(debt)		**(23,788)**

Source: Pro-forma, Management and calculations

Note 1 – Any deferred ATS consideration outstanding after the Proposed Transaction will be treated as an intercompany liability and consolidated to nil on a Merged Entity basis.

Note 2 – Transaction costs of A$2.9 million include both contingent (A$1.4 million) and non-contingent transaction costs (A$1.5 million as set out Section 8.6) still to be incurred by HLO is the Proposed Transaction is successfully completed.

9.6 Sensitivity analysis

We have also conducted a sensitivity analysis below to highlight the impact on the share price of the Merged Entity (minority basis) caused by movements in the maintainable EBITDA and EBITDA multiple.

Assessed EBITDA Multiple	Maintainable EBITDA						
	40,000	45,000	49,000	52,500	55,500	60,000	65,000
5.5 x	0.24	0.27	0.30	0.32	0.34	0.37	0.40
6.0 x	0.26	0.30	0.32	0.35	0.37	0.40	0.44
6.5 x	0.28	0.32	0.35	0.38	0.40	0.44	0.47
7.0 x	0.31	0.35	0.38	0.41	0.43	0.47	0.51
7.5 x	0.33	0.37	0.41	0.44	0.47	0.51	0.55
8.0 x	0.35	0.40	0.44	0.47	0.50	0.54	0.59

Source: Calculations

Note (1): Sensitivity analysis based on the mid-point of the low- and high-end of the assessed net synergies and the one-off capital expenditure adjustment.

These sensitivities do not represent a range of potential values of the Merged Entity, but they intend to show to the HLO Shareholders the sensitivity of our valuation assessment to changes in certain variables.

9.7 Valuation cross check – Indicative DCF

Similarly to our valuation assessment of HLO before the Proposed Transaction, we have adopted an indicative DCF methodology as a cross check for our valuation assessment.

9.7.1 Key valuation assumptions

The key valuation assumptions underlying the indicative DCF are summarised below:

- *EBITDA* – To derive a future maintainable EBITDA for the Merged Entity of between A$50.0 million to A$56.5 million, we have aggregated:

  - Our assessment of the future maintainable EBITDA of between A$49.0 million to A$55.5 million as set out in Section 9.2; plus

  - Estimated net corporate overhead savings of A$1 million per annum expected to be commonly available to a group of potential purchasers as discussed in Section 8.8.1. We note that the estimated net corporate overhead savings are reflected in the EBITDA multiple adopted in our primary valuation assessment on a control basis.

- *Capital expenditure* – We have assessed the capital expenditure for the Merged Entity based on the aggregation of our assessed maintainable capital expenditure for HLO of A$6.0 million as set out in Section 8.8.1 and the assessed maintainable capital expenditure for AOT. In line with the historical levels of capital expenditure incurred by AOT over the last few years and management forecast for FY16, we have estimated this to be approximately A$2.7 million. Accordingly, we have assessed the capital expenditure for the Merged Entity to be approximately A$8.7 million per annum.

- *Depreciation & amortisation* – For the purpose of our valuation crosscheck, we have assessed the normalised depreciation & amortisation to be in line with our assessed maintainable capital expenditure.

- *Changes in working capital* –Given we have assessed a perpetual growth rate in line with inflation we have estimated that changes in working capital are negligible.

- *Tax rate* – Income tax has been calculated by applying a tax rate based on the Australian company tax rate of 30% to the notional taxable income.

- *Discount rate* – Grant Thornton Corporate Finance has applied a nominal, post-tax WACC in the range of 12.0% and 12.5% to value the Merged Entity. The selected WACC reflects, among the other things, the conservative growth assumptions adopted in the DCF methodology and the company specific factors as discussed in Sections 8.2 and 9.2. Refer to Appendix B for further details.

We note the assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of a similar business. We note that the assumptions used in the DCF valuations are inherently subject to considerable uncertainty.

9.7.2 Enterprise value of the Merged Entity – indicative DCF methodology

The following table summarises our valuation assessment of the enterprise value of Merged Entity (on a control basis and before one-off capital expenditure adjustments) using DCF methodology:

Valuation crosscheck - indicative DCF method		Reference	Merged Entity Low (A$'000s)	Merged Entity High (A$'000s)
Maintainable adjusted EBITDA		*Section 9.7.1*	50,000	56,500
Less: D&A		*Section 9.7.1*	(8,700)	(8,700)
EBIT			**41,300**	**47,800**
Less: Tax	*30%*	*Section 9.7.1*	(12,390)	(14,340)
EBIT after tax			**28,910**	**33,460**
Add: D&A		*Section 9.7.1*	8,700	8,700
Less: Changes in working capital		*Section 9.7.1*	-	-
Less: Capital expenditure		*Section 9.7.1*	(8,700)	(8,700)
Free cash flow to firm			**28,910**	**33,460**
Discount rate		*Appendix B*	12.5%	12.0%
Long term growth		*Section 8.8.1*	2.5%	2.5%
Enterprise value of the Merged Enitity Operating Business (control basis) (before one-off capex)			**296,328**	**361,016**

Source: Management and Calculations

Based on the analysis above, we have assessed the enterprise value of Merged Entity between A$296.3 million and A$361.0 million on a control basis and before one-off capital expenditure adjustments. We note that this is broadly consistent with our assessed enterprise value of Merged Entity under the primary EBITDA multiple approach between A$ 318.5 million and A$388.5 million on a control basis and before one-off capital expenditure adjustments. Accordingly, we conclude that our valuation based on the capitalisation of EBITDA is reasonable.

10 Sources of information, disclaimer and consents

10.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Notice of Meeting and Explanatory Memorandum.
- Merger Implementation Agreement.
- AOT Financial and Legal Due Diligence Reports.
- Annual reports/ consolidated accounts of HLO and AOT for FY13, FY14 and FY15.
- HLO FY16 budget and 3-year plan to FY18.
- Management accounts for HLO and AOT.
- Board papers and presentations for HLO and AOT.
- HLO and AOT's websites.
- Capital IQ.
- Various brokers' reports.
- Other publicly available information.
- Discussions with HLO and AOT Management.

10.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to and all other parties involved in the Share Offer and Option Offer with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to HLO, its shareholders and all other parties involved in Proposed Transaction.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with HLO or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

10.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by HLO and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by HLO through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of HLO.

The responsibility for business plan and forecasts, and the assumptions, on which they are based, is solely that of the directors of the Company. It must be emphasised that all profit and cash flow forecasts necessarily depend on subjective judgement. They are, to a greater or lesser extent, according to the nature of the business and the period covered by the forecasts, subject to substantial inherent uncertainties. In consequence, they are not capable of being substantiated or audited in the same way as financial statements which present the results of completed accounting periods.

This report has been prepared to assist the Directors of HLO in advising the Non-Associated Shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable to, and in the best interests of the Non-Associated Shareholders.

HLO has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by HLO, which HLO knew or should have known to be false and/or reliance on information, which was material information COK had in its possession and which HLO knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. HLO will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

10.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to HLO Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

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Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

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Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

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Appendix B – Discount Rate

Introduction

The discount rate was determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the WACC is calculated as follows:

$$\text{WACC} = R_d \times \frac{D}{D+E} \times (1-t) + R_e \times \frac{E}{D+E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

WACC Inputs

Required rate of return on equity capital

We have used the Capital Asset Pricing Model ("CAPM"), which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market – it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (R_e) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- $(R_m – R_f)$ = market risk premium

Risk free rate

In the absence of an official risk free rate, the yield on the Government Bonds (in an appropriate jurisdiction) is commonly used as a proxy.

Accordingly, we have adopted a risk free rate of 3.8% based on the 5 year average of the 10 year Australia Government Bonds' yield for both HLO and the Merged Entity. We selected the 5 year average due to high volatility in global equity markets over the past several years and subsequently, the potential distortion possible with recent quantitative easing.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

Empirical studies of the historical risk premium in Australia over periods of up to 100 years suggest the premium is between 6% and 8%. Current research indicates that the actual long term horizon risk premium is approximately 100 basis points less than that indicated by the Ibbotson full period data (at 7%). As such, for the purpose of the discount rate assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6% for HLO and the Merged Entity. This is consistent with our assumption in relation to the long term risk free rate.

Specific risk premium

When assessing the specific risk premium for HLO and the Merged Entity, we have considered a number of factors including:

- The nature and size of the business compared to the selected comparable companies.
- The historical financial performance of HLO and AOT (see Sections 4 and 5 for details).
- Uncertainty associated with cash flow forecasts, particularly with the recent business transformation and re-branding of HLO.
- The competitive landscape and growth prospects for HLO and the Merged Entity.

Based on the above, we have applied a specific risk premium of 1%.

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation. An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity. For the purpose of this report, we have had regard to the observed betas (equity and regeared betas) of listed domestic travel agency service providers (Tier 1) and listed international travel agency service providers (Tier 2). The following table sets out the summary of our beta analysis:

Beta analysis			Local index				MSCI Index
Company	Country	Market Cap A$'m	Equity Beta[1]	Gearing Ratio[1]	Ungeared Beta	Regeared Beta	Regeared Beta
Tier 1 - Domestic Travel Agency Service Providers							
Webjet Ltd.	Australia	426	1.62	0%	1.62	1.62	1.12
Flight Centre Travel Group Limited	Australia	3,682	1.67	0%	1.67	1.67	1.40
Corporate Travel Management Limited	Australia	1,096	1.66	0%	1.66	1.66	1.55
Tier 2 - International Travel Agency Service Providers							
Expedia Inc.	United States	126	0.90	0%	0.90	0.90	1.03
China International Travel Service Corporation Limited	China	3,462	2.75	59%	1.89	1.89	1.82
H.I.S. Co., Ltd.	Japan	1,625	1.60	0%	1.60	1.60	0.85
Thomas Cook Group plc	nited Kingdom	880	1.04	117%	0.59	0.59	0.18
Voyageurs du Monde Société Anonyme	France	1,284	1.22	3%	1.20	1.20	1.18
Kuoni Reisen Holding AG	Switzerland	84	0.44	0%	0.44	0.44	0.45
Average			**1.44**	**20%**	**1.29**	**1.29**	**1.06**
Median			**1.60**	**0%**	**1.60**	**1.60**	**1.12**

Source: CapitalIQ and GTCF calculations

Note (1): Equity betas are calculated using data provided by CapitalIQ. The betas are based on a five-year period with monthly obervations and have been degeared based on the average gearing ratio over five years.

Grant Thornton Corporate Finance has observed the betas of the comparable companies by reference to the local index and MSCI Index of the comparable company.

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the pre-development assets, the selection of an unsystematic equity beta requires a level of judgement.

The ungeared betas are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable, a process commonly referred as de-gearing. We used the following formula to undertake the de-gearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

β_e = Equity beta
β_a = Ungeared beta
t = Corporate tax rate

The betas are de-geared using the median gearing[58] level over the period in which the betas were observed and then re-geared based on a gearing ratio of nil (see Capital Structure Section below for further discussions).

Based on the analysis above, we have selected a beta between 1.20 and 1.30 for the HLO and the Merged Entity.

Capital structure

Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent risks associated with debt financing. Factors which a hypothetical purchaser may consider include the shareholders' return after interest payments, and the business' ability to raise external debt.

The appropriate level of gearing that is utilised in determining the WACC for a particular company should be the "target" gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of

[58] Gearing ratio represents Net debt/Market capitalisation.

costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- The quality and life cycle of a company.
- The quality and variability of earnings and cash flows.
- Working capital.
- Level of capital expenditure.
- The risk profile of the assets.

In determining the appropriate capital structure for the purpose of this report, we have also considered the following:

- The average net debt/EV ratio of comparable companies over the last 5 year period as set out in the beta section of this report.
- The current and historic net debt/EV of HLO and pro-forma net debt/EV for the Merged Entity.

Based on the above observations, for the purpose of the discount rate assessment Grant Thornton Corporate Finance has adopted a capital structure of nil debt and 100% equity for HLO and the Merged Entity.

WACC calculation

The discount rate is determined using the WACC formula is set out below:

Discount rate calculation	Low	High
Risk free rate	3.8%	3.8%
Beta	1.20	1.30
Market risk premium	6.0%	6.0%
Specific risk premium	1.0%	1.0%
Cost of equity	**12.0%**	**12.6%**
Grant Thornton adopted discount rate	**12.0%**	**12.5%**

Based on the above analysis, we adopted a WACC in the range of 12.0% to 12.5% for HLO and the Merged Entity.

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WACC cross-check

Before reaching our conclusion, we have benchmarked our assessed discount rate with the discount rate adopted by various brokers for HLO and selected domestic comparable companies. Our analysis is set out below.

Company	Broker	Year	Discount rate	LT growth rate
HLO	Broker 1	2015	12.5%	3.0%
HLO	Broker 2	2015	12.9%	3.0%
HLO	Broker 3	2015	11.0%	na
Wotif	Grant Samuel (IER)	2014	10.5%	2.5%
Flight Centre	Broker 3	2015	10.5%	na
Flight Centre	Broker 1	2015	10.0%	3.0%
Flight Centre	Broker 4	2015	10.5%	3.0%
Flight Centre	Broker 5	2015	11.0%	3.0%
Average			**11.1%**	**2.9%**

Source: Various broker reports

The discount rate as assessed by Grant Thornton Corporate Finance is not inconsistent with the discount rates assumed by other market participants and accordingly we conclude that our assessment is reasonable.

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Appendix C – Comparable companies

Company	Description
Tier 1 – Domestic Travel Agency Service Providers	
Webjet Ltd.	Webjet Limited provides online travel booking services in Australia, New Zealand, and internationally. It operates in two segments, Business to Consumer Travel and Business to Business Travel. The company enables its customers to compare, combine, and book travel flights, travel insurance, car hire, holiday package deals, and hotel accommodation. Its brands include Webjet, ZUJI, Lots of Hotels, and SunHotels. Webjet Limited is based in Melbourne, Australia.
Flight Centre Travel Group Limited	Flight Centre Travel Group Limited provides travel retailing services in Australia, the United States, the United Kingdom, and internationally. The company provides its services primarily under the Flight Centre, Escape Travel, Student Flights, Travel Associates, Cruiseabout, Liberty Travel, Infinity Holidays, GOGO Vacations, FCm Travel Solutions, Corporate Traveller, Stage and Screen, cievents, and Campus Travel brands. It is also involved in other travel related activities, such as foreign currency exchange business; financial services business; and provision of health and wellness services. In addition, it offers recruitment marketing, advertising, and software solutions, as well as short listing, behavioural testing, and assessment services. It offers its services through a network of 2,500 stores.
Corporate Travel Management Limited	Corporate Travel Management Limited provides travel management solutions to the corporate market. It manages the purchase and delivery of travel services for corporate clients. The company offers a range of travel tools, including u-book, an integrated online booking tool; u-control and u-explore business intelligence tools that are used for program optimization through in-depth diagnostic analysis; u-approve, a pre-trip approval system that enables travel arrangers and travellers to manage travel requests. It also provides a one-stop-shop solution for various corporate travel needs, such as airfares, accommodation, ground transportation, travel insurance, visas, and discounted business lounge membership. In addition, the company offers resource travel management services, including change management, travel policy development, behavioural analysis, account management, mining desk, charter negotiation.
Tier 2 – International Travel Agency Service Providers	
Rainbow Tours Spolka Akcyjna	Rainbow Tours S.A. operates as a tour operator and travel agent in Poland. It operates through Sales of Tourist Package Travel, Providing Services as Agent, and Others segments. The company provides agency selling external tourism services, coach tickets, and airline tickets, as well as sells package travel.
Thomas Cook Group plc	Thomas Cook Group plc provides leisure travel services in the United Kingdom, Ireland, Continental Europe, Northern Europe, and Germany. It is also involved in hotel, airline, tour operation, and travel agency activities, as well as offers financing services. The company serves its customers through retail stores, Websites, and call centers, as well as through third-party travel agents.
Thomas Cook (India) Limited	Thomas Cook (India) Limited provides travel and travel related financial services in India and internationally. The company operates through Financial Services, Travel and Related Services, Human Resource Services, and Vacation Ownership segments. It offers travel related services comprising outbound, inbound, corporate, and domestic travel services; E-business services; Visa and passport services; tourism education services; and travel management services.
Cox & Kings Limited	Cox and Kings Limited provides tours and travel services worldwide. It offers destination management, outbound tourism, business travel, NRI, trade fairs, foreign exchange, and insurance services; and incentive and conference solutions, and domestic holidays. The company offers holiday packages to individuals, groups, and businesses primarily under the Cox & Kings, Duniya Dekho, Superbreak, Explore, Bharat Deko, RegalDive, Weekendjeweg, Tempo, Bentours, and Travel conscious brands.
Kuoni Reisen Holding AG	Kuoni Reisen Holding AG provides travel-related services in Switzerland and internationally. It operates through Group Travel; Fully Independent Traveller; Outbound Nordic; Outbound Europe/Asia; Destination Management Specialists; and VFS Global segments. The company provides destination and accommodation services, tour operating, and visa processing services. It offers travel services for tour operators and travel agencies under the GTA, TravelCube, and Travel Bound brand names.
Travel Expert (Asia) Enterprises Limited	Travel Expert (Asia) Enterprises Limited, an investment holding company, operates as a travel agent in Hong Kong. The company provides a range of services, such as reservation and sale of plane tickets, hotel accommodation arrangement, cruise vacations, transportation, theme park packages and tickets, car rental, value-added tour packages, business tours, offshore corporate conference arrangement, and staff incentive tours.

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Appendix D – Target companies

Target company	Description
Tier 1 – Domestic travel service providers	
HLO	Helloworld Limited operates as an integrated travel company. It sells international and domestic travel products and services, as well as operates a franchised network of travel agents. The Retail segment primarily acts as a franchisor of retail travel agency networks, including helloworld, helloworld for business, the Concord Agency Network, Harvey World Travel, United Travel, and The Travel Brokers, as well as owns and operates Air Tickets and helloworld.com.au. The Wholesale segment offers air, sea, and land related travel products and services through retail travel agency networks. This segment operates under the Qantas Holidays, Viva! Holidays, Insider Journeys, United Travel, Harvey World Travel, Qantas Vacations, as well as ReadyRooms.com, an online hotel aggregator. The Travel Management segment provides travel management services, including arranging flights, accommodation, car hire, visa facilitation services, and itinerary planning and management to government, corporate customers, and SMEs.
Wotif.com Holdings Limited	Wotif.com Holdings Limited provides online travel booking services in Australia, New Zealand, Asia, and internationally. The company, through its Wotif.com travel Website, is involved in the sale of accommodation, flights, and travel-related services, including airline ticket sales, car hire, travel insurance, and other travel-related products. Wotif.com Holdings Limited was founded in 2000 and is based in Milton, Australia. As of November 13, 2014, Wotif.com Holdings Limited operates as a subsidiary of Expedia Inc.
ATS	As of December 31, 2013, Inbound Travel Business of Jetset Travelworld Ltd., was acquired by AOT GROUP Limited. Jetset Travelworld Ltd., Inbound Travel Business represents the combined operations of ATS Pacific Fiji Limited and ATS Pacific Pty Ltd and ATS Pacific Pty. Limited in their sale to AOT GROUP Limited. The companies provide inbound travel business services such as destination management, group travel, and independent travel services. ATS Pacific Fiji Limited is based in Nadi, Fiji. ATS Pacific Pty Ltd is based in Manukau City, New Zealand. ATS Pacific Pty. Limited is based in Sydney, Australia.
Jetset Travelworld	Jetset Travelworld Limited engages in the sale of international and domestic travel products and services in Australia, NZ, Asia, Fiji, the US, South Africa, and the UK. It operates as a franchisor of a retail travel agent network that covers approximately 2,167 member outlets under the Jetset, Travelworld, Travelscene American Express, and Harvey World Travel brand names, as well as owns Best Flights, a Web and call centre based retail travel agent. The company also operates wholesale travel businesses under brands, including Qantas Holidays, Viva! Holidays, Travelscene Holidays, Travel 2, Travel Indochina, Rail Tickets, that procure air, sea, and land product for packaging and sale through retail travel agency networks. In addition, it provides travel arrangement services for corporate and government customers on various airlines; and travel management reporting services.
Tier 2 – International offline travel service providers	
Kuoni Travel (India) Private Limited and Kuoni Travel (China) Limited	Kuoni Travel (India) Private Limited and Kuoni Travel (China) Limited represents the combined operations of Kuoni Travel (China) Limited and Kuoni Travel (China) Limited in their sale to Thomas Cook (India) Limited. Kuoni Travel (India) Private Limited and Kuoni Travel (China) Limited provide travel and tourism services. Kuoni Travel (China) Limited is based in Hong Kong. Kuoni Travel (India) Private Limited is based in India.
China Comfort Travel Group Co., Ltd.	China Comfort Travel Group Co., Ltd. operates as a travel agency and provides inbound, outbound, and domestic tour and travel services. China Comfort Travel Group Co., Ltd. was formerly known as China Comfort Travel Service. The company was founded in 1984 and is based in Beijing, China. China Comfort Travel Group Co., Ltd. operates as a subsidiary of Beijing Tourism Group Co., Ltd.
Thomas Cook (India) Limited	Thomas Cook (India) Limited provides travel and travel related financial services in India and internationally. It offers travel related services comprising outbound, inbound, corporate, and domestic travel services; E-business services; Visa and passport services; tourism education services; and travel management services. It provides wholesale and retail purchase of currency notes; purchase and sale of foreign currency denominated traveler's checks; travel insurance products; prepaid foreign currency cards; foreign currency pay orders; outward remittance in 120 countries; person-to-person money transfer services; and online foreign exchange services to banks, full fledged and restricted money changers.
Chambers Travel Group Limited	Chambers Travel Group Limited provides travel management services to business travelers in the United Kingdom and internationally. It offers fulfilment services, including air, accommodation, rail, ground transport, passports and visas, and multi-lingual support services, as well as consultancy services in the areas of travel management. The company was founded in 1988 and is headquartered in London, United Kingdom with additional offices in Glasgow, Scotland; Paris, France; Amsterdam, the Netherlands; Berlin, Germany; and Sweden and Switzerland. As of January 5, 2015, Chambers Travel Group Limited operates as a subsidiary of Corporate Travel Management Limited.
Top Deck Tours Limited	Top Deck Tours Limited is an independent tour operator. It offers a range of tours and trips to various destinations in Europe, Australia, New Zealand, Egypt, the Middle East, North America, and Africa. The company was incorporated in 2003 and is based in London, United Kingdom with an additional office in Brisbane. As of August 27, 2014, Top Deck Tours Limited operates as a subsidiary of Flight Centre Travel Group Limited.
TUI Travel PLC	TUI Travel PLC operates as a leisure travel company worldwide. It is engaged in the tour operating and airline businesses. It operates 1,800 retail travel shops and 6 airlines consisting of 138 aircrafts. It offers its services primarily under the brands of TUI, Thomson, Arke, Jetair, and Fritidsresor, as well as Blue Village, Sensatori, Sensimar, and Holiday Villages. It also provides accommodation and inbound travel services in destinations to tour operators, travel agents, and corporate clients, as well as through online brands, LateRooms.com, AsiaRooms.com, and MalaPronta.com. It also offers ski and sailing holidays, adventure travel, water-based holiday, cruising, and sports tour services, as well as educational tours, and activity holiday services for schools and universities.

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Appendix G – Glossary

A$ or $	Australian dollars
Adjusted EBITDAI	EBITDAI before exceptional items
AOT	AOT Group Limited
AOT Vendors	The owners of AOT or Mr Andrew Burnes and Mrs Cinzia Burnes
AOTI	AOT Inbound
APES 110	"Code of Ethics for Professional Accountant" issued by the Accounting Professional and Ethical Standard Board
APM Contract	AOT's contract with the Australian Federal Government as the Accommodation Program Manager for the Federal Agencies
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATS	ATS Pacific Australia, ATS New Zealand, and ATS Fiji
CAN	Concorde Agency Network
CAPM	Capital Asset Pricing Model
Cash Consideration	$25 million in cash payable to AOT by HLO
CEO	Chief Executive Officer
Company (the)	HLO or Helloworld Limited
Consolidation (the)	HLO shares will be consolidated on a six for one basis prior to the completion of the transaction between HLO and AOT
CVC	Europe Voyager NV
DCF	Discounted cash flow
EBITDA	Earnings before interest, tax, and depreciation and amortisation
EV	Enterprise value
FCFF	Free cash flow
FME	Future Maintainable Earnings
FSG	Financial Services Guide
FYxx	Financial Year ended 30 June 20xx
GDS	Global distribution systems
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
HLO	Helloworld Limited
HLO Board	Board of HLO
HLO Performance Rights	HLO's 950,070 performance rights
Jetset Travelworld	Jetset Travelworld Limited
Merged Entity	The amalgamation of HLO and AOT
Merged Entity Board	The Board of the Merged Entity
Merged Entity Shares	HLO Shares after the Proposed Transaction
Merged Jetset	The merger of Jetset Travelworld with Stella in May 2010
MIA	Merger Implementation Agreement
Non-Associated Shareholders	Shareholders of HLO not associated with the AOT Vendors
NZ	New Zealand

Orbitz	Orbits JV
PLG	Pacific Leisure Group
Proposed Transaction	The proposal for the amalgamation of HLO and AOT
Purchase Price	A$25 million in cash and 218,700,000 shares in HLO payable to AOT
Qantas	QH Tours Ltd
Related Party Loan	The loan from AOT to the AOT Vendors
RG 111	ASIC Regulatory Guide 111 Contents of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of Expert's Reports
RG 74	Regulatory Guide 74 Acquisitions agreed to by shareholders
Scrip Consideration	218,700,000 shares in HLO payable to AOT
Stella	Stella Group Limited
The WoAG Contract	The travel management services to WoAG
TTF	Tourist Transport Fiji
TTV	Total Transaction Value
UK	United Kingdom
US	United States
WACC	Weighted average cost of capital
Westpac	Westpac Banking Corporation
WoAG	The Whole of the Australian Government

Corporate directory

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