The Jetset Travelworld Group

Jetset Travelworld Limited ABN 60 091 214 998

Notice of General Meeting and Explanatory Memorandum

General Meeting	
Meeting venue:	Deutsche Bank Place Level 16 corner Hunter and Phillip Streets Sydney NSW 2000
Meeting date:	6 September 2010 at 10.00am

The JTG Directors unanimously recommend that JTG Shareholders

VOTE IN FAVOUR

of the Merger Proposal at the General Meeting.

The Independent Expert has determined that the Merger Proposal is fair and reasonable and therefore in the best interests of JTG Shareholders.

Financial Advisers

Deutsche Bank

GRANT SAMUEL

Legal Adviser

MinterEllison LAWYERS

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 contains an explanation of, and information about, the Merger Proposal to be considered at the General Meeting of JTG on 6 September 2010. It is given to JTG Shareholders to provide them with information that the JTG Board believes to be material to JTG 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. JTG 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 JTG Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolutions.

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 JTG or the Stella Parties or not currently considered by JTG or the Stella Parties 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 JTG, the Stella Parties 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 JTG 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, JTG and Stella Travel 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 JTG or the JTG 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 KPMG Transaction Services Investigating Accountant's Report, the PricewaterhouseCoopers Securities Investigating Accountant's Report, the Stella Information (described below) and the Joint Information (described below)) has been prepared by JTG (**JTG Information**) and is the responsibility of JTG. None of the Stella Parties, nor any of their 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 Stella Information and the Joint Information.

The information contained in sections 4, 5.6, 6, 8.4, 8.5 and Annexure A has been prepared by the Stella Parties (**Stella Information**) and is the responsibility of the Stella Parties. Neither JTG, nor any of its related entities, directors, officers, employees, contractors, advisers or agents, assumes any responsibility for the accuracy or completeness of any Stella Information.

JTG and the Stella Parties have jointly prepared and are jointly responsible for the information in sections 5, 8 and 11 (except for sections 5.6, 8.4 and 8.5 which have been prepared by the Stella Parties and sections 8.3.2, 8.3.3, 8.3.4, 8.3.5 and 8.6 which have been prepared by JTG) (**Joint Information**).

Deloitte 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. Deloitte takes responsibility for that report but is not responsible for any other information contained in this Explanatory Memorandum. Neither JTG nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Independent Expert's Report. JTG 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.

KPMG Transaction Services has prepared the KPMG Transaction Services Investigating Accountant'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 KPMG Transaction Services Investigating Accountant's Report, and the references to that report, in the form and context in which they are included in this Explanatory Memorandum. KPMG Transaction Services takes responsibility for that report but is not responsible for any other information contained within this Explanatory Memorandum. Neither JTG nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the KPMG Transaction Services Investigating Accountant's Report. JTG Shareholders should read the KPMG Transaction Services Investigating Accountant's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

PricewaterhouseCoopers Securities has prepared the PricewaterhouseCoopers Securities Investigating Accountant'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 PricewaterhouseCoopers Securities Investigating Accountant's Report, and the references to that report, in the form and context in which they are included in this Explanatory Memorandum. PricewaterhouseCoopers Securities takes responsibility for that report but is not responsible for any other information contained within this Explanatory Memorandum. Neither JTG nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the PricewaterhouseCoopers Securities Investigating Accountant's Report. JTG Shareholders should read the PricewaterhouseCoopers Securities Investigating Accountant's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

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

DEFINITIONS

Defined terms are used in this Explanatory Memorandum. The defined terms are in the Glossary set out in section 11.

A copy of this Explanatory Memorandum was lodged with ASIC on 26 July 2010 and 28 July 2010 in accordance with ASIC Regulatory Guide 74 and section 260B(5) of the Corporations Act.

DATE

This Explanatory Memorandum is dated 28 July 2010.

Key Dates

Date of this Explanatory Memorandum	28 July 2010
Deadline for returning proxy forms	4 September 2010 at 10.00am (Sydney time)
Record date for determining JTG Shareholders' entitlement to vote at General Meeting	4 September 2010 at 7.00pm (Sydney time)
General Meeting of JTG Shareholders	6 September 2010 at 10.00am (Sydney time)
Proposed merger implementation date[1]	30 September 2010

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

1 This date is indicative only.

Contents

Letter from the Chairman

Jetset Travelworld Limited
ABN: 60 091 214 998
Level 28, 264 George Street Sydney NSW 2000
Telephone **02 8080 3150**
Facsimile **02 8080 3199**

The Jetset Travelworld Group

28 July 2010

Dear JTG Shareholder

On 12 May 2010, JTG announced the proposed merger of equals between JTG and Stella Travel. The proposed merger is subject to various conditions and will be effected by the acquisition of Stella Travel by JTG and the issue of new JTG Shares to the Stella Vendors. JTG Shareholders will continue to hold their JTG Shares and JTG will remain listed on the ASX. The purpose of the General Meeting on 6 September 2010 is to seek your approval of the Resolutions relating to the Merger Proposal.

The Stella Group is an integrated travel business, operating several wholesale and franchise-based retail travel businesses in Australia, New Zealand, the United States and South Africa including Harvey World Travel and Travelscene American Express. The Stella Group also provides air ticket consolidation and airline representation services.

The proposed merger of Stella Travel with JTG provides a compelling opportunity to integrate two complementary travel businesses to create a significantly stronger and larger travel company. The Merger Proposal is the next step in the growth of JTG and will position the enlarged JTG Group to compete more effectively and explore growth opportunities in the Australian, New Zealand and international travel markets, benefiting all JTG Shareholders.

The integration of the two businesses will involve combining the wholesale and online offerings of JTG and Stella Travel as well as combining the capability to service the franchisees, affiliates and buying groups associated with each business. The enlarged JTG Group will be able to better support its significantly larger retail agency network comprising JTG's existing franchisee and affiliate retail agencies and those of the Stella Group, which include Harvey World Travel, United Travel, Travelscene American Express and Best Flights. By combining the wholesale businesses, the enlarged JTG Group should be able to access improved pricing and inventory allocation from airline, accommodation and other travel suppliers to pass on to its customers. The online development activities of each business would also be combined to more effectively compete with other industry participants in this rapidly growing and very competitive segment of the market.

Peter Lacaze, the current CEO of the Stella Group, will become CEO of the enlarged JTG Group if the Merger Proposal proceeds. Mr Lacaze will be joined by Elizabeth Gaines, the current CFO of SGH, who will become CFO of JTG. Your Directors would like to take this opportunity to thank the current CEO of JTG, Peter Collins, and the current CFO of JTG, Nigel Underwood, for their significant contribution to JTG.

It is proposed that, following the merger, the enlarged JTG Board will have nine Directors and that I will continue to be the JTG Non-executive Chairman. SGH will nominate three Directors to the JTG Board. Mr John King and Ms Lesley Grant have decided to step down from the JTG Board from the Completion Date. Both have been valuable members of the JTG Board and the remaining JTG Directors are grateful for their time and contribution over the years.

If the Merger Proposal is implemented, a range of ancillary arrangements with Qantas will become effective. While Qantas will remain a large shareholder in JTG, the new agreements have been designed to assist JTG to operate with a lesser degree of dependence on Qantas systems. These agreements are also expected to provide improved benefits for JTG relative to the current arrangements with Qantas as a supplier of product, services and personnel to the JTG Group.

JTG has estimated that pre-tax cost savings of at least $10 million can be achieved by 30 June 2012 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 $4 million. These estimates are based on a detailed review of the potential cost savings areas and a robust risk assessment as to the achievement of those identified cost savings.

Letter from the Chairman continued

Jetset Travelworld Limited
ABN: 60 091 214 998
Level 28, 264 George Street Sydney NSW 2000

Telephone
02 8080 3150

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02 8080 3199

The Jetset Travelworld Group

The JTG Board commissioned Deloitte to prepare an Independent Expert's Report on the merits of the Merger Proposal. Deloitte concluded that the Merger Proposal is fair and reasonable and therefore in the best interests of JTG Shareholders.

The JTG Board believes that the future prospects of JTG would be significantly enhanced by implementation of the Merger Proposal.

Your Directors unanimously recommend that you vote in favour of the Resolutions relating to the Merger Proposal. Each of your Directors who holds or controls JTG Shares intends to vote those JTG Shares in favour of the Resolutions. In addition, Qantas has indicated that it will support the Merger Proposal and intends to vote its shareholding in JTG in favour of the Resolutions.

If the Resolutions are approved by JTG Shareholders and the other conditions in the Merger Implementation Agreement are satisfied or waived (which may occur after the General Meeting) the Merger Proposal will be implemented. As a result, the Stella Vendors will hold 50% of the issued share capital of the enlarged JTG Group, with the existing JTG Shareholders holding the remaining 50%. JTG will then have the following four large shareholders: EV (an entity indirectly majority owned by funds advised by CVC Asia Pacific) with 26.9%, UBSAHL (a wholly owned subsidiary of UBS AG) with 17.9%, QH Tours (a wholly owned subsidiary of Qantas) with 29% and interests associated with Mr Spiros Alysandratos with 12.6%. JTG will remain listed on the ASX.

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 12.

I encourage you to vote on the Resolutions. If you wish the Merger Proposal to proceed, it is important you 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 JTG Company Secretary, Stephen Heesh, on +61 2 8080 3150 between 9.00am and 5.00pm (Sydney time), Monday to Friday.

Yours sincerely

Mr Tom Dery
Chairman
Jetset Travelworld Limited

1

Highlights of the Merger Proposal

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

1.1 OVERVIEW OF JTG POST MERGER

The Merger Proposal combines the JTG and the Stella 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, JTG will have:

Expanded operations

- a significantly expanded retail franchise and affiliate footprint with approximately 2,200 travel agents across Jetset, Travelworld, Harvey World Travel, United Travel and Travelscene American Express and other affiliated agencies
- an enhanced platform to support the wholesale operations of Qantas Holidays and the Stella Group
- access to demand from the United States and Canada for travel to Australasia and the South Pacific through the Stella Group's 'Qantas Vacations' and 'Islands in the Sun' brands
- expanded and enhanced offerings in the online, business travel, ticketing and inbound services segments

Financial strength

- a market capitalisation of approximately $351.3 million[2]
- annual total transaction value (or TTV) of approximately $5.5 billion including the enlarged JTG Group's franchisees and affiliates (based on 2010 forecast performance)
- pro forma forecast revenues for 2010 for the enlarged JTG Group of approximately $365.5 million and pro-forma forecast EBITDAI for the enlarged JTG Group for 2010 of approximately $43.5 million

A strong management and business platform

- approximately 2,600 staff
- an experienced management team comprising members of both the JTG and Stella Group businesses to be led by Peter Lacaze as CEO
- a range of ancillary arrangements with Qantas designed to assist JTG to operate with a lesser degree of dependence on Qantas systems

1.2 KEY BENEFITS FOR JTG SHAREHOLDERS

Important expected benefits of the Merger Proposal include:

- increased scale;
- an enhanced wholesale platform;
- a larger and more competitive retail franchise and affiliate footprint;
- greater online presence;
- additional management expertise; and
- material financial benefits through cost synergies.

Further details of the benefits of the Merger Proposal are set out in section 2.5 of this Explanatory Memorandum.

2 Based on the closing price of $0.80 per JTG Share on the ASX as at 22 July 2010 and assuming the issue of 219,552,978 million JTG Shares to the Stella Vendors.

Highlights of the Merger Proposal continued

1.3 POTENTIAL DISADVANTAGES AND RISKS FOR JTG SHAREHOLDERS

Potential disadvantages of the Merger Proposal include:

- dilution of the voting power of current JTG Shareholders from the issue of JTG Shares to the Stella Vendors;
- JTG Shareholders' exposure to the risks associated with the Stella Group;
- integration risks;
- there being no guarantee that the price at which JTG Shares trade at after the Merger Proposal will be above current levels;
- the moderate financial risk associated with the debt financing arrangements the enlarged JTG Group will have in place with UBS AG; and
- the suspension of dividends for the six months ended 30 June 2010.

Further details of the potential disadvantages and risks relating to the Merger Proposal are set out in sections 2.6 and 5.7 of this Explanatory Memorandum.

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The Merger Proposal

2.1 BACKGROUND

JTG was formed in 2001 and has grown to become one of the largest travel companies in Australia. The acquisition of Qantas Holidays and Qantas Business Travel in July 2008 further expanded JTG's business by introducing significant wholesale operations and a corporate travel management business. Since this acquisition, JTG has operated as an integrated travel business. Over the last two years, while the travel industry experienced a downturn associated with the global financial crisis, competition among retail agent networks and online channels remained strong.

In light of the changing dynamics of the industry, JTG engaged in discussions with the owners of the Stella Group about a possible merger of their respective businesses. These discussions culminated in the Merger Proposal and execution of the Merger Agreements.

The Merger Proposal is a step towards JTG becoming one of Australia's leading integrated travel companies. It will result in increased scale, larger wholesale, retail and online offerings, additional geographic exposure, a platform for future growth for JTG and a range of financial benefits for the enlarged JTG Group.

2.2 TERMS OF THE MERGER PROPOSAL

If the Resolutions are approved by JTG Shareholders and the Merger Proposal is implemented, JTG will acquire 100% of the shares in Stella Travel in consideration for the issue of 219,552,978 JTG Shares to the Stella Vendors, representing 50% of the total JTG Shares on issue immediately following Completion. In particular:

- 196,881,154 JTG Shares (equating to 44.8% of JTG's enlarged issued share capital) will be issued to SGH on the terms of the Merger Implementation Agreement (a summary of which is set out in section 8.1); and
- 22,671,824 JTG Shares (equating to 5.2% of JTG's enlarged issued share capital) will be issued to the Stella Option Holders on the terms of the Stella Management Acquisition Deeds (summaries of which are set out in section 8.2).

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

Existing JTG Shareholders will continue to hold their JTG Shares (representing the other 50% of the total JTG Shares on issue following Completion) and JTG will remain listed on the ASX.

On completion of the Merger Proposal and the Post Merger Transfers described in section 6.1, the enlarged JTG Group will have four major shareholders:

- Qantas (through QH Tours) with a 29% shareholding;
- EV with a 26.9% shareholding;
- UBSAHL with a 17.9% shareholding; and
- interests associated with Mr Spiros Alysandratos with a 12.6% shareholding.

JTG intends that if the Merger Proposal is implemented, an agreed number of the JTG Shares issued as part of the Merger Proposal will be subject to escrow restrictions that will prevent the sale or disposal of such shares for a minimum period of 15 months from Completion, subject to certain exceptions and possible extensions. JTG wishes to put these escrow restrictions in place to provide security for JTG should it need to bring a claim under the Merger Agreements, by designing them to require the Stella Parties and the Stella Option Holders to sell some of their JTG Shares to fund any successful claims brought by JTG under the Merger Agreements. Due to technical provisions in the Corporations Act, the escrow arrangements currently being sought by JTG require certain JTG Shareholder approvals and JTG Shareholders are therefore being asked to approve certain matters (see Resolutions 3 and 4). Your Directors strongly recommend that you vote in favour of them. Your Directors consider these arrangements to be demonstrably in the best interests of JTG and JTG Shareholders. These arrangements are more fully described in sections 8.3 and 8.3.3. If these escrow arrangements are not approved by JTG Shareholders, alternative escrow arrangements may be put in place by JTG and whilst these will also benefit JTG they are unlikely to provide JTG with the same level of security against potential claims it may have under the Merger Implementation Agreement.

The Merger Proposal is subject to a number of conditions including:

- approval by FIRB;
- no objection by the ACCC;

The Merger Proposal continued

- the approval of the issue of JTG Shares under the Merger Proposal by Non-associated JTG Shareholders;
- either (i) Stella and JTG reaching a binding agreement with one or more external financiers to refinance the Stella Debt or (ii) the grant by UBS AG of its consent to roll over the Stella Debt on terms and in a form reasonably satisfactory to both JTG and SGH and any conditions precedent to the effectiveness of the amendments to the documentation in respect of the Stella Debt as a consequence of the inclusion of JTG have been satisified;
- no material adverse change of the JTG or the Stella Group businesses;
- the entry by Qantas and JTG into agreements based on agreed term sheets (see further section 2.4 below);
- the approval of JTG Shareholders being obtained to allow JTG to enter into the Stella Party Escrow Deeds (or the Stella Party Escrow Deeds being entered into on terms that do not require JTG Shareholder approval); and
- at the Stella Parties' insistence, the execution by Qantas (through QH Tours) of the Qantas Escrow Deed (which contains escrow restrictions broadly similar to the escrow restrictions described above) following JTG Shareholder approval being obtained or if the proposed resolution is not passed and if required by SGH, Qantas making an appropriate statement to the ASX to the effect that it will retain its JTG shareholding for at least the same 15 month period contemplated by the Qantas Escrow Deed.

Section 8.1.2 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 Agreements and the Escrow Deeds, the material provisions of which are summarised in sections 8.1 to 8.3.

As noted above Completion is conditional on, among other things, the ACCC not objecting to the Merger Proposal (although the parties can always agree that this condition be waived). This involves the ACCC assessing whether or not it considers that the Merger Proposal will result in a substantial lessening of competition in any relevant market. JTG and the Stella Group have made submissions detailing reasons why it does not. On 21 July 2010, the ACCC released a 'Statement of Issues' in respect of the Merger Proposal. The Statement of Issues is not the ACCC's final decision on the matter. It identifies particular issues of varying degrees of potential competition concern and sets out the lines of further inquiry that the ACCC wishes to take. The ACCC has indicated that it anticipates completing further market inquiries on 12 August 2010 and anticipates making a final decision on 2 September 2010, although this time line can change. It is possible that the ACCC will not object to the Merger Proposal, that it will not object to it if certain undertakings (including undertakings that may result in the terms of the Merger Proposal being varied) are provided or that it will object to the Merger Proposal. JTG will keep the market and JTG Shareholders updated as the matter proceeds. Further information is available on the ACCC's website at www.accc.gov.au/mergersregister.

2.2.1 JTG Board and management

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

- Tom Dery (Independent Chairman);
- Peter Lacaze (Managing Director and CEO);
- Brett Johnson (Non-executive Director) nominated by the Qantas Group;
- Gareth Evans (Non-executive Director) nominated by the Qantas Group;
- Andrew Cummins (Non-executive Director) nominated by SGH at the direction of EV;
- Adrian MacKenzie (Non-executive Director) nominated by SGH at the direction of EV;
- Peter Spathis (Non-executive Director) nominated by interests associated with Mr Spiros Alysandratos; and
- Michael Riches (Non-executive Director) nominated by SGH at the direction of UBSAHL.

The individuals nominated by EV and UBSAHL are the three individuals which SGH is entitled to propose as directors under the Merger Implementation Agreement. EV and UBSAHL have agreed that EV shall be entitled to nominate two of those individuals and UBSAHL shall be entitled to nominate the third individual.

Further information on the Directors of the reconstituted JTG Board is contained in section 5.3. The JTG Board intends to appoint another independent director to the JTG Board should the Merger Proposal be implemented. It is anticipated that the new independent director will be nominated for election at JTG's first annual general meeting after the director's appointment.

Upon Completion, Peter Lacaze will be appointed as the Managing Director and CEO of the enlarged JTG Group and Elizabeth Gaines will be appointed as CFO. Further information on the new CEO and CFO is contained in sections 5.3 and 5.4.

The Merger Proposal continued

2.3 IMPACT OF MERGER PROPOSAL

The table below shows how current shareholdings in JTG will be affected by implementation of the Merger Proposal following the issue of JTG Shares to the Stella Option Holders and SGH and the subsequent transfer to GVH by SGH of the JTG Shares issued to it and then from GVH to EV and UBSAHL (as described in section 6.1).

	Current		Post merger	
Shareholder(s)	Number of JTG Shares	% of total	Number of JTG Shares	% of total
QH Tours	127,340,726	58.0	127,340,726	29.0
Sintack Pty Ltd and associates (Just Super Co Pty Ltd and S&I Nominees Pty Ltd)	55,367,051	25.2	55,367,051	12.6
Other JTG Shareholders	36,845,199	16.8	36,845,199	8.4
EV	Nil	Nil	118,068,377	26.9
UBSAHL	Nil	Nil	78,812,777	17.9
Stella Option Holders	Nil	Nil	22,671,824	5.2
Total	**219,552,976**	**100.0**	**439,105,954**	**100.0**

* Section 5.1 contains tables showing, first, the position immediately following the issue of JTG Shares to SGH and the Stella Option Holders and, second, the impact of the transfer of those shares to EV and UBSAHL. The table above consolidates those steps for ease of understanding.

As is apparent from the table above, no one shareholder will control JTG (and no one shareholder will control the JTG Board) following implementation of the Merger Proposal, although the interests of EV and UBSAHL will be aligned through the operation of a Co-ordination Deed that is summarised in section 8.5.

The JTG Shares to be escrowed under the escrow arrangements (these being the Qantas Escrow Shares, the Stella Option Holder Escrow Shares and the Stella Party Escrow Shares) will be subject to escrow restrictions for a minimum period of 15 months, subject to certain exceptions (which are summarised in sections 8.3 and 8.3.3). These escrow agreements were sought by JTG to provide it with security should it need to bring a claim under the Merger Agreements and, to that end, they restrict the Stella Parties and the Stella Option Holders from selling an agreed number of JTG Shares during the agreed 15 months "claims period" and require those parties to sell an appropriate number of their JTG Shares to fund any successful claims brought by JTG under the Merger Agreements. Your JTG Directors consider that these escrow arrangements are in the best interests of JTG Shareholders notwithstanding that the potential sale of JTG Shares to fund a successful claim brought by JTG against the Stella Parties and/or the Stella Option Holders may potentially (but not necessarily) adversely affect the JTG Share price.

As explained in greater detail in section 8.3.3, the Stella Parties insisted that the Merger Proposal be conditional on Qantas (through QH Tours) entering into a voluntary escrow deed for the same 15 month period as would apply to the Stella Parties or otherwise making an appropriate statement to the ASX to the effect that it will retain its JTG shareholding for that same 15 month period. JTG agreed to the inclusion of this condition to secure the agreement of the Stella Parties and the potential benefits your JTG Directors consider will accrue to JTG and the JTG Shareholders as a result of the Merger Proposal.

Taken in their entirety, all of these proposed escrow arrangements will have the effect that, if approved by JTG Shareholders, a significant proportion of the enlarged JTG Group's share capital will be escrowed for a minimum of 15 months. 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 JTG and that offer is accepted or scheme approved by holders of a majority of the JTG Shares that are not subject to escrow restrictions. Notwithstanding that these escrow arrangements could be regarded as having a potential defensive effect on the market for control of JTG Shares, your JTG Directors consider that they are in the best interests of JTG Shareholders.

The presence of four major shareholders post Completion who between them will hold 86.4% of the issued share capital of JTG and the escrow restrictions over a significant proportion of the issued share capital of JTG for a minimum of 15 months may be regarded as resulting in low levels of liquidity for JTG Shares, which may potentially influence the price at which JTG Shares trade on the ASX. It is also possible that the share price of JTG will be affected by any decisions any of the major shareholders make in relation to their shareholding in JTG following expiry of the 15 month escrow period. JTG gives no assurance of the price at which JTG Shares will trade post Completion or following expiry of the escrow period.

The Merger Proposal continued

2.4 AGREEMENTS BETWEEN JTG AND QANTAS

Under the terms of an umbrella agreement between JTG, Qantas, and Stella Travel, JTG (and certain members of the JTG Group) and Qantas have entered into term sheets outlining the key terms of the following agreements which are intended to ensure JTG can operate on a stand alone basis from Qantas following Completion, facilitate a transition to arrangements directly between JTG and relevant third party suppliers and provide for the continuation of the ordinary course of business activities of JTG and the Stella Group:

- shared services agreement;
- national sales agency agreement;
- IT services agreement;
- labour recharge agreement;
- intellectual property agreement; and
- qantas.com agreement.

The key provisions of the term sheets for these Separation Agreements are set out in section 8.6.2.

The Merger Proposal is also conditional on Qantas and JTG entering into a superannuation deed which sets out the superannuation arrangements which will apply to the employees of Qantas Holidays who are currently also members of the Qantas Superannuation Plan. The key terms of this deed are summarised in section 8.6.3.

The independent JTG Directors (i.e. those JTG Directors who are not associated with Qantas) have determined that JTG Shareholder approval does not have to be obtained to approve JTG's entry into the Separation Agreements on the basis that the terms of the Separation Agreements are no less favourable to JTG than would have been obtained in an arm's length negotiation.

2.5 ADVANTAGES OF THE MERGER PROPOSAL

JTG and the Stella Group are two leading complementary businesses in the Australian and New Zealand travel industry. At its core, the Merger Proposal is expected to:

- increase the scale of JTG, allowing it to compete with larger participants in the travel industry and online competitors;
- generate cost savings in the enlarged JTG Group by reducing costs and providing opportunities for rationalisation of operations;
- enable JTG to extract itself from Qantas systems; and
- position the enlarged JTG Group for future growth.

Specifically, the JTG Directors believe that the Merger Proposal should result in a range of benefits for JTG and JTG Shareholders including:

- **Increased scale** – the Merger Proposal will enable JTG to compete with larger industry participants by combining the wholesale, retail and online operations of the JTG and the Stella Group businesses. Increased scale will result in long-term benefits and stability for the enlarged JTG Group's staff, franchisees and affiliate retail agencies, suppliers and other trading partners. On a pro forma basis, the forecast 2010 revenue for the enlarged JTG Group would be $365.5 million and the forecast pro forma 2010 EBITDAI for the enlarged JTG Group would be $43.5 million;
- **An enhanced wholesale platform** – the combined wholesale operations of JTG and the Stella Group will give the enlarged JTG Group greater ability to negotiate improved commercial arrangements and allocation of inventory from airline, accommodation and other suppliers. For example, JTG will be better positioned to negotiate air travel and land packages with the major providers and pass these benefits to its retail franchise and affiliate customers;
- **A larger and more competitive retail franchise and affiliate offering** – integration of the two buying groups supporting the franchise and affiliate retail operations will result in a larger distribution footprint, lower costs of operation and a broader range of products and services;
- **Greater online presence** – the enlarged JTG Group will have a stronger presence in the online segment, with an ability to compete more effectively with other operators in this growing segment of the market;
- **Additional management expertise** – the enlarged JTG Group will have access to the skills and travel industry experience of the Stella Group's management team, including Peter Lacaze who will assume the role of CEO; and
- **Material financial benefits** – through cost savings expected to result from merging the JTG and the Stella Group businesses, JTG has estimated that pre-tax benefits of at least $10 million can be achieved by 30 June 2012 on an annualised basis. The one-off costs of implementation to achieve these annual cost savings are expected to be in the vicinity of $4 million. These estimates are based on a detailed review of the potential cost savings areas and a robust risk assessment as to the achievement of those identified cost savings.

The Merger Proposal continued

2.6 DISADVANTAGES OF THE MERGER PROPOSAL

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

- **Dilution of voting power from the issue of JTG Shares to Stella Vendors (and the intended transfer of those shares to EV and UBSAHL)** – if the Merger Proposal proceeds, the Stella Vendors will receive 219,552,978 new JTG Shares in consideration for the sale of Stella Travel. It is proposed that these shares will ultimately be held by EV, UBSAHL and the Stella Option Holders. The holdings of existing JTG Shareholders will not change as a result of the Merger Proposal. Consequently, existing JTG Shareholders' interests in JTG will be diluted by 50% as a result of the issue of new JTG Shares to the Stella Vendors;
- **JTG Shareholders will be exposed to the risks associated with the Stella Group** – any travel industry business, such as the Stella Group, is exposed to inherent operating risks such as exposure to natural disasters and terrorist attacks which may adversely affect demand for travel. JTG 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, JTG and Stella 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 less cost savings than expected. In addition, the competitive landscape faced by the enlarged JTG Group will change and the merger benefits could be eroded in the long term through competition;
- **Share price uncertainty** – the price at which JTG Shares trade on the ASX after the Merger Proposal is implemented will be influenced by a range of factors including the liquidity of JTG Shares. There is no guarantee that JTG Shares will trade at or above current trading prices;
- **UBS AG facility** – the Stella Group has entered into a facility with UBS AG under the Facility Agreement. As a result of implementation of the Merger Proposal, the enlarged JTG Group will have a moderate amount of debt which increases the financial risk of the enlarged JTG Group (and may affect its ability to declare and pay future dividends) relative to JTG on a stand alone basis; and
- **Suspension of dividends** – in order to retain sufficient cash reserves to complete the integration of the two businesses, the JTG Directors intend to suspend the dividend for the six months ended 30 June 2010. The payment and amount of future dividends will depend on the earnings, financial condition, financing arrangements (including the terms of the UBS AG financing facility), financing requirements for future growth, the competitive environment and any other factors the Directors of the enlarged JTG Group consider relevant.

In addition to the potential disadvantages of the Merger Proposal outlined above, the JTG 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 5.7):

- **General risks** – changes in economic conditions, general market risks and changes in the regulatory and legal environment; and
- **Specific risks associated with the enlarged JTG 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.

2.7 INDEPENDENT EXPERT'S CONCLUSION

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE MERGER PROPOSAL IS FAIR AND REASONABLE AND THEREFORE IN THE BEST INTERESTS OF JTG SHAREHOLDERS

In assessing whether the Merger Proposal is fair, the Independent Expert, has assessed whether the relative shareholdings in the enlarged JTG Group fairly reflect the pre-merger values of JTG and Stella Travel.

- The Independent Expert has valued the equity in JTG at $133.4 million – $145.6 million and the equity in Stella Travel at $132.3 million – $153.4 million, implying an intrinsic contribution by JTG of 48.7% – 50.2% of the enlarged JTG Group's equity value.
- Under the terms of the Merger Proposal, existing JTG Shareholders will own 50% of the JTG Shares in the enlarged JTG Group.
- As the proportion of the enlarged JTG Group's shares that will be owned by existing JTG Shareholders under the Merger Proposal is within the Independent Expert's assessed range of the proportion of value contributed to the enlarged JTG Group by JTG, in the opinion of the Independent Expert the Merger Proposal is fair.

The Merger Proposal continued

In its analysis the Independent Expert has valued the equity in JTG and Stella Travel 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 the two companies, in particular an estimate of future maintainable earnings of each company and selection of earnings capitalisation multiples appropriate to each company. More information on the Independent Expert's valuation assumptions is contained in section 8 of the Independent Expert's Report.

In assessing whether the Merger Proposal is reasonable, the Independent Expert has considered whether the advantages to JTG Shareholders of the Merger Proposal outweigh the disadvantages. The Independent Expert's discussion of the advantages and disadvantages of the Merger Proposal is contained in section 10.3 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 12 of this Explanatory Memorandum.

2.8 DIRECTORS' RECOMMENDATIONS

Your Directors have carefully considered the terms of the Merger Proposal and the conclusions of the Independent Expert. The JTG Directors have also taken independent financial, accounting and legal advice in relation to the Merger Proposal. The JTG Directors unanimously believe that the Merger Proposal is in the best interests of JTG Shareholders and accordingly unanimously recommend that JTG Shareholders vote in favour of all of the Resolutions.

Each of the JTG Directors who holds or controls JTG Shares intends to vote those JTG Shares in favour of all of the Resolutions.

The JTG Directors' recommendation to vote in favour of all of the Resolutions is based on a number of important considerations:

- the key benefits that will be delivered to JTG Shareholders by the Merger Proposal compared to its potential disadvantages and risks (see sections 2.5 and 2.6 for details of the benefits and potential disadvantages and section 5.7 for details of the potential risks associated with a shareholding in the enlarged JTG Group);
- the absence of an available alternative transaction that would provide comparable potential or superior benefit for JTG Shareholders; and
- the Independent Expert's conclusion that the Merger Proposal is fair and reasonable and therefore in the best interests of JTG Shareholders (see section 12).

It is important for each JTG 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.

2.9 TAX CONSEQUENCES

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

2.10 IMPLICATIONS IF THE MERGER PROPOSAL DOES NOT PROCEED

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

In these circumstances, neither the advantages of the Merger Proposal outlined in section 2.5 nor the potential disadvantages outlined in section 2.6 will be relevant to JTG Shareholders.

The JTG Directors believe that the future prospects of JTG would be significantly enhanced by implementation of the Merger Proposal and, accordingly, if the Merger Proposal does not proceed, the JTG Directors consider that JTG's position in the market could be negatively impacted – for example, due to a potential reduction in wholesale volumes as competitors develop their own wholesale capabilities.

The Merger Proposal continued

2.11 JTG 2010 FINAL DIVIDEND

In order to retain sufficient cash reserves to complete the integration of the two businesses, the JTG Directors intend to suspend the dividend for the six months ended 30 June 2010. After Completion, the new JTG Board will undertake a review of the appropriate dividend policy for the enlarged JTG Group. The payment and amount of future dividends will depend on the earnings, financial condition, financing arrangements (including the terms of the UBS AG financing facility), financing requirements for future growth, the competitive environment and any other factors the Directors of the enlarged JTG Group consider relevant.

Section 6.5.7 outlines the intentions of EV and UBSAHL in respect of the enlarged JTG Group's dividend policy.

3

Key Questions Answered

Question	Answer
Why have I received this Explanatory Memorandum?	JTG is proposing to merge with Stella Travel. This Explanatory Memorandum is intended to help you, as a JTG 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 JTG and Stella Travel through the acquisition of Stella Travel by JTG. If JTG Shareholders approve the Resolutions and other conditions in the Merger Agreements are satisfied or waived, JTG will acquire all of the Stella Shares and Stella Preference Shares on issue at Completion. In return, JTG will issue new JTG Shares to the Stella Vendors, which will represent 50% of the issued share capital of JTG immediately following the implementation of the Merger Proposal. See section 2 for further information.
Do the JTG Directors recommend the Merger Proposal?	The JTG Directors believe that the Merger Proposal is in the best interests of JTG Shareholders and unanimously recommend that JTG Shareholders vote in favour of the Resolutions to approve the Merger Proposal. Each JTG Director intends to vote any JTG Shares he or she holds or controls in favour of the Resolutions.
What has the Independent Expert said?	The Independent Expert has concluded that the Merger Proposal is fair and reasonable and therefore in the best interests of JTG Shareholders. The full report of the Independent Expert is set out in section 12.
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 30 September 2010.
Will JTG Shareholders be issued with new JTG Shares?	No, JTG Shareholders will continue to hold their existing JTG Shares and will not be issued with new JTG Shares.
Will JTG remain listed on the ASX?	Yes, JTG will remain listed on the ASX.
What are the tax implications of the merger for existing JTG Shareholders?	There will be no immediate tax implications for the existing JTG Shareholders.

Key Questions Answered continued

Question	Answer
Are there any potential disadvantages associated with the Merger Proposal?	The JTG Directors unanimously believe that the advantages of the Merger Proposal outweigh any potential disadvantages and risks associated with the Merger Proposal. However, JTG Shareholders should be aware of the potential disadvantages and risks (being both general risks and specific risks associated with the enlarged JTG Group) related to the Merger Proposal. These are described in sections 2.6 and 5.7.
What happens if the Resolutions are not approved?	If Resolution 1 is not approved by JTG Shareholders, the Merger Proposal will not be implemented and JTG will continue to operate in its current form. If Resolutions 2 to 4 are not approved but Resolution 1 is approved, the Merger Proposal may still be implemented – see further section 8.3.1.
Has JTG received an alternative proposal from another party?	No, JTG has not received an alternative proposal from another party.
If I wish to support the Merger Proposal, what should I do?	If you wish to support 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 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 4 September 2010.
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 and published in the *Sydney Morning Herald* and *The Australian* newspapers.
What are my options?	As a JTG Shareholder your options are to: • follow the recommendations of your JTG Directors and vote (in person or by proxy) in favour of the Resolutions at the General Meeting to be held on 6 September 2010 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 JTG Shares on the ASX prior to the implementation of the Merger Proposal (scheduled to be on or about 30 September 2010); or • do nothing.

Key Questions Answered continued

Question	Answer
What should I do now?	You should: • read this Explanatory Memorandum in full before making any decision on the Merger Proposal; • if necessary, seek 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 JTG Shareholder; • determine how you wish to vote on the Resolutions; and • vote at the General Meeting 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 the JTG Company Secretary, Stephen Heesh, on +61 2 8080 3150.

4

Information about the Stella Group

The Stella Group is a travel business operating primarily in Australia and New Zealand with ancillary operations in the United States, Asia, Fiji and South Africa. The Stella Group has a franchise-based retail business as well as offering an online travel platform, wholesale packaging, air services and inbound travel operations. The Stella Group employs approximately 1,700 staff.

The Stella Group's key brands include Harvey World Travel, Travelscene American Express, Best Flights, Travel 2, Newmans Holidays, talpacific Holidays, Travel Indochina and ATS Pacific in Australia; United Travel, Harvey World Travel, Go Holidays and Atlantic Pacific American Express in New Zealand; Qantas Vacations, Travel 2 and Islands in the Sun in the USA and Harvey World Travel in South Africa.

Funds advised by CVC Asia Pacific acquired an interest in the businesses comprising the Stella Group and the Mantra Group (formerly Stella Hospitality Group) in February 2008. The Stella Group was restructured and separated from the Mantra Group in July 2009. Following the restructure, UBSAHL became a shareholder in the business. Forty members of the Stella Group's management also hold equity interests in Stella Travel.

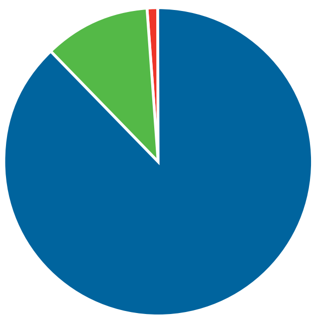
The Stella Group originated out of the takeover in September 2006 of Stella Travel Services (under its former name, S8 Limited) by MFS Limited. Prior to this, Stella Travel Services (under its former name, S8 Limited) made a series of acquisitions in the travel and leisure sector, consolidating several major retail and wholesale travel businesses through the period 2005 – 2006. These acquisitions included:

- Harvey World Travel Group Limited;
- Transonic Travel Limited;
- Travelscene Limited; and
- Gullivers Travel Group Limited.

4.1 BUSINESS OVERVIEW

The Stella Group has operations in Australia, New Zealand, the United States, Asia, Fiji and South Africa. The operations encompass franchise-based retail agencies, an online retailer, wholesale air consolidators, airline representation, wholesale packages and inbound travel services.

Stella Group TTV



Australia	88%
NZ	11%
US	1%

Source: Stella Group forecast – TTV for the 12 months ended 30 June 2010.
Note: South Africa results are reported within Australia.

Information about the Stella Group continued

Stella Group brands

STELLA GROUP

	RETAIL	CORPORATE	WHOLESALE	AIR
AUSTRALIA	Travelscene – Travel created for you; Harvey World Travel – The Travel Professionals; BestFlights.com.au	Travelscene – Travel created for you – Corporate; atlantic pacific travel	Travelscene – Travel created for you – Holidays; Travel2; Travel Indochina; Ski Express; Talpacific Holidays; Newmans Holidays; a.t.s. Pacific; Harvey's Choice Holidays; Rail Tickets	air tickets; smart fares – Search it • Book it • Ticket; smart tickets – Powered by ticketing wizard; concorde agency network; World Aviation
NEW ZEALAND	United Travel – For the love of travel.; Harvey World Travel – The Travel Professionals; The Travel Brokers – 'Your personal travel professional'	apx	Go Holidays!	World Aviation
UNITED STATES	Qantas Vacations – The Best Downunder!; Travelscene – Travel created for you		Qantas Vacations – The Best Downunder!; Travel2; Islands in the Sun	
SOUTH AFRICA	Harvey World Travel – The Travel Professionals			

Information about the Stella Group continued

4.1.1 Australia – Retail

The Australian retail operations comprise the Harvey World Travel and Travelscene American Express franchises, as well as company owned retail stores operating under the Harvey World Travel brand and Best Flights:

- Harvey World Travel (www.harveyworld.com.au) is a well known Australian travel brand. It comprises 283 franchisee-owned stores as well as 10 Stella Group – owned stores.

  Under the Harvey World Travel franchise model, franchisees are granted an exclusive licence to operate agencies and trade under the Harvey World Travel brand and pay fees to the Harvey World Travel franchise company for this right. Franchise agreements typically operate for an initial period of three years with subsequent options to renew.

  Revenue is generated by:

  - an annual base franchise fee plus a percentage of turnover;
  - service fees for the provision of services (such as information technology, training, procurement and marketing services); and
  - access fees and fees and payments received from suppliers.

- Travelscene American Express (www.travelscene.net.au) is a well known Australian travel brand with 461 members in an extensive range of locations across Australian cities, metropolitan and regional areas. The group includes 295 full members, 106 associate members, and 60 corporate members. Travelscene American Express was voted Australia's Top Travel Network in 2006 and 2008.

  Travelscene American Express was formed from an alliance between Travelscene and American Express in 2003. This alliance has provided Travelscene with the ability to benefit from the globally recognised American Express brand. Travelscene's brand licensing arrangements with American Express provide opportunities to market to the American Express card member base.

  Revenue is generated by:

  - an annual membership fee and marketing levy; and
  - access fees and fees and payments received from suppliers.

- Best Flights (www.bestflights.com.au) is a web and call centre-based retail travel agent, operating principally through its website. Best Flights is a multi award winning (including for the 'Top 10 for Best Cruises' award from Hitwise) retail travel agent. Best Flights operates from Perth, Western Australia and has 87 employees.

  Through the website, a Best Flights customer can either select a flight online and then call a call centre, or book directly via the website. The majority of Best Flights' sales are outbound international flights. The company also has a number of additional brands (and supplementary domain names), including Best Cruises, Best Adventures and Best Coach Tours.

4.1.2 Australia – Wholesale

The Stella Group's wholesale businesses aggregate air and land packages for distribution to the Stella Group and other retail agent groups. The key wholesale brands are:

- Travelscene Holidays is an inhouse wholesaler exclusive to Travelscene American Express. It provides holiday solutions to all major holiday destinations for Australians, including the UK, Europe, Asia, New Zealand, the Pacific Islands, the US, Canada and cruises around the world. Travelscene Holidays is available 24 hours a day, seven days a week via Travelscene Holidays' online Calypsonet system;
- Travel 2 (www.travel2.com.au) provides packages for holiday travel to the UK, Europe, Asia, New Zealand, the Pacific Islands, the US, Canada and cruises. Travel 2 offers an extensive selection of hotels, tours, flights and car hire. Travel 2 distributes its product to all Australian travel agents; however, with a particular focus on agents operating under one of the Stella Group brands. Agents can purchase products online 24 hours a day, seven days a week;
- Travel Indochina (www.travelindochina.com.au) is a specialised business with sales offices in Australia, the UK and the US, GSA (Global Sales Agent) business partnerships in North America, New Zealand and the UK and six local offices in Laos, Vietnam and Cambodia. Travel Indochina specialises in escorted small group journeys to South East Asia and land tours in key destinations in Vietnam, China, Tibet, Cambodia, Thailand, Laos, Japan and India;
- Newmans Holidays (www.newmansvacations.com) is a long established specialist travel wholesaler operating in New Zealand, offering a wide selection of New Zealand product for the independent traveller. Newmans Holidays has the capability to package trans-Tasman airlines into a New Zealand holiday. The Newmans brand has been active for over 130 years;

Information about the Stella Group continued

- **talpacific Holidays** is a specialist package wholesaler to South Pacific destinations;
- **Ski Express** (www.skiexpress.com.au) provides ski and snowboard packages to New Zealand, Canada, the US and Japan. Airfares, accommodation, transportation and ski field passes are packaged together to provide consumers with a fully inclusive ski holiday. Extras include ski shuttle and rental car passes, equipment hire, lessons (beginners to advanced) and guiding. Ski Express also offer exclusive lift passes and in-resort Ski Express hosts in New Zealand;
- **Rail Tickets** (www.railtickets.com.au) specialises in over 50 rail tickets and passes within the UK/Europe, Asia, Japan, Canada and the US. These include Eurail, Britrail, European national rail passes, point to point travel, Eurostar and Amtrak; and
- **Harvey Holidays** (www.harveyschoice.com.au) is a 50-50 joint venture between Harvey World Travel and Qantas. Harvey Holidays packages travel products under the 'Harvey's Choice Holidays' brand for sale by travel agents who are part of the Harvey World Travel franchise.

The Stella Group also operates several businesses providing wholesale travel services to inbound customers. ATS Pacific (www.atspacific.com.au) is an inbound wholesale tour operator providing comprehensive land arrangements to overseas long haul wholesalers and retailers for destinations in Australia, New Zealand and Fiji.

4.1.3 Australia – Air Services

The Stella Group's air related operations comprise air ticketing and airline representation.

- **Air Ticketing** – the Stella Group's ticket centre services 1,750 travel agent customers throughout Australia. It offers ticketing technology and airfare distribution. The Stella Group's ticketing technology allows agents access to the system 24 hours a day, seven days a week.

  There are ticket centres in Sydney, Melbourne, Brisbane, Perth and Adelaide.
- **Airline Representation** – provides sales, marketing, pricing, contracting, financial and administration services to 41 international airlines in Australia and New Zealand for both passenger and cargo. As a general sales agent this business enables international carriers to operate and sell in both the Australian and New Zealand markets without direct investment in their own offices and infrastructure.

4.1.4 New Zealand

The Stella Group's New Zealand operations comprise four businesses:

- **Retail** The Stella Group services four agent groups, namely:
  - Harvey World Travel (www.harveyworld.co.nz) – 55 agencies;
  - United Travel (www.unitedtravel.co.nz) – 72 agencies;
  - Independent Retail Network – 32 agencies; and
  - The Broker Network – 65 home-based agents.
- **Go Holidays** packages travel products for destinations around the world.
- **Atlantic Pacific American Express** is a major corporate travel agent in New Zealand with over 500 customer accounts.
- **Air Product** provides ticketing and contracting services for the Stella Group's New Zealand retail, corporate and wholesale operations.

4.1.5 United States

Stella Travel USA is a long haul tour operator specialising in Australia, New Zealand, the South Pacific and Asia. Stella Travel USA sells to the trade and to consumers in the United States and Canadian markets under four brands:

- **Qantas Vacations** (www.qantasvacations.com);
- **Travel 2** (www.travel2-us.com);
- **Travelscene** (www.travelscene.com); and
- **Islands in the Sun** (www.islandsinthesun.com).

4.2 STELLA GROUP FINANCIAL INFORMATION

4.2.1 Overview

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

- Stella Group Pro-Forma Historical Income Statements (refer to sections 4.2.3, 4.2.4 and 4.2.5);
- Stella Group Pro-Forma Historical Balance Sheet (refer to section 4.2.8); and
- Stella Group Pro-Forma Forecast Income Statements (refer to sections 4.2.3, 4.2.5, 4.2.6 and 4.2.7 respectively).

Also summarised in this section are:

- the basis of preparation of the Stella Group Financial Information (refer to section 4.2.2); and
- the Stella Directors' best estimate assumptions underlying the Stella Group Pro-Forma Forecast Income Statements (refer to section 4.2.7).

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

The Stella Group Financial Information has been reviewed by PricewaterhouseCoopers Securities. The PricewaterhouseCoopers Securities Investigating Accountant's Report is contained in section 7.2. The information in this section should also be read in conjunction with the risk factors set out in section 5.7 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.

4.2.2 Basis of preparation and presentation of the Stella Group Financial Information

The Stella Group Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act. The Stella Group accounting policies relevant to the Stella Group Financial Information are comparable to those adopted by JTG Group (as detailed in the JTG Group annual report for the year ended 30 June 2009), with the exception of those policies that are the subject of accounting policy alignment adjustments in the Enlarged JTG Group Pro-Forma Financial Information. Refer to sections 5.5.3 and 5.5.4 for details of these accounting policy alignment adjustments.

Consistent with the presentation of the JTG Group and enlarged JTG Group income statement disclosures in sections 5 and 9, the Stella Group Pro-Forma Historical Income Statements and the Stella Group Pro-Forma Forecast 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 JTG Group will be required to restate the assets and liabilities of JTG 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 are not a meaningful representation of the future earnings profile of the enlarged JTG Group. Notwithstanding the above, for information purposes, the actual impairment expenses incurred by the Stella Group in the years ended 30 June 2009 and 30 June 2010 have been presented below EBITDAI in the Stella Group Pro-Forma Historical Income Statements and the Stella Group Pro-Forma Forecast Income Statements set out in sections 4.2.3 and 4.2.5.

For the purposes of the Stella Group Pro-Forma Historical Income Statement and the Stella Group Pro-Forma Forecast 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 GVH Group and the Stella Group have historically treated this interest income.

Preparation of the Stella Group Pro-Forma Historical Income Statements

The Stella Group forms part of the GVH Group. GVH is owned by UBSAHL and EV (which is ultimately owned by funds advised by CVC Asia Pacific). The audited GVH Group financial statements for the year ended 30 June 2009 were lodged with ASIC. Separate audited special purpose financial statements for the STS Group for the 2009 financial year were prepared but were not required to be lodged with ASIC. Therefore, the pro-forma consolidated historical income statement of the Stella Group for the year ended 30 June 2009 is derived from the audited special purpose financial statements for the STS Group and the consolidation working papers that support the audited financial statements of the GVH Group.

Information about the Stella Group continued

The pro-forma consolidated historical income statement of the Stella Group for the six months ended 31 December 2009 is derived from the unaudited accounting records of the Stella Group. The pro-forma consolidated historical income statement of the Stella Group for the six months ended 31 December 2009 has been reviewed by PricewaterhouseCoopers Securities. The PricewaterhouseCoopers Securities Investigating Accountant's Report is contained in section 7.2.

The financial statements for the year ended 30 June 2009 for both the GVH Group and the STS Group were audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. The audit opinions issued to the members of the GVH Group and the STS Group respectively, relating to those financial statements, were unqualified.

A reconciliation between the pro-forma consolidated historical income statement of the Stella Group for the year ended 30 June 2009 and the income statement for the GVH Group for that period is provided in section 4.2.4 below. A reconciliation between the pro-forma consolidated historical income statement of the Stella Group for the six months ended 31 December 2009 to the management accounting records of the Stella Group, prepared on the basis that the substantial restructure of the GVH Group occurred on 1 July 2009, is provided in section 4.2.6.

Preparation of the Stella Group Pro-Forma Forecast Income Statements

The Stella Directors believe they have prepared the Stella Group Pro-Forma Forecast Income Statements with due care and attention. The Stella Group Pro-Forma Forecast Income Statements have been prepared on the basis of numerous assumptions, including the Stella Directors' best estimate assumptions set out in section 4.2.7. This information is intended to assist JTG Shareholders in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Stella Directors consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing the Explanatory Memorandum.

The Stella Group Pro-Forma Forecast Income Statements are comprised of the pro-forma consolidated historical income statement for the six months ended 31 December 2009, and the Stella Directors' pro-forma consolidated forecast income statement for the six months from 1 January 2010 to 30 June 2010. The Stella Directors' pro-forma consolidated forecast income statement for the six months ended 30 June 2010 is based on the unaudited actual pro-forma consolidated historical income statement of the Stella Group for the four months to 30 April 2010 derived from the Stella Group management accounts and the Stella Directors' pro-forma consolidated forecast income statement for the months of May and June 2010.

The Stella Group Pro-Forma Forecast Income Statements exclude the impact of the estimated non-recurring fees and expenses of implementing the Merger Proposal and reflects only the earnings of the Stella Group. In addition, costs associated with redundancies and the restructuring of the Stella Group businesses during the global financial crisis have been treated as non-recurring and excluded from the Stella Group Pro-Forma Forecast Income Statements. The Stella Group Pro-Forma Forecast Income Statements are shown on a stand alone basis.

JTG Shareholders should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Stella Group Pro-Forma Forecast Income Statements, and that this may have a materially positive or negative effect on the Stella Group's actual financial performance or financial position. JTG Shareholders are advised to review the Stella Directors' best estimate assumptions set out in section 4.2.7, the risk factors set out in section 5.7 and other information set out in this Explanatory Memorandum.

4.2.3 Stella Group Pro-Forma Historical Income Statements and Stella Group Pro-Forma Forecast Income Statements

Set out below is a summary of the Stella Group Pro-Forma Historical Income Statement for the year ended 30 June 2009 and the Stella Group Pro-Forma Forecast Income Statements for the year ended 30 June 2010.

Year ended 30 June A$000s	FY09 pro-forma historical income statement	FY10 pro-forma forecast income statement
TTV(1)	**3,701,668**	**3,310,139**
Revenue	247,685	213,754
Interest income on client cash	3,322	2,024
Total revenue(2)	**251,007**	**215,778**
Expenses	(220,695)	(196,556)
Share of results from equity accounted investments	589	955
EBITDAI(2)	**30,901**	**20,177**
Impairment Expenses(3)	(130,658)	(17,600)
EBITDA	**(99,757)**	**2,577**

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 across the Stella Group's various operations, including by the Stella Group's franchisees acting as agents for various airlines and other service providers, plus revenue from other sources. The Stella Group's revenue is therefore derived from TTV. TTV does not represent the Stella Group's cash flows as some transactions are settled directly between the customer and supplier.

(2) EBITDAI is presented before interest expense and income tax, depreciation, amortisation and impairment expenses. 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.

(3) The Stella Group currently forms part of the GVH Group. On 31 July 2009, the GVH Group completed a substantial restructuring and refinancing. As part of this restructuring and refinancing process, the carrying values of all intangible assets across the GVH Group were reviewed and re-assessed in the light of the changed trading conditions as a result of the global financial crisis. As a consequence, impairment expenses totalling $130,658,000 and $17,600,000 were incurred in relation to the intangible assets of the Stella Group in the years ended 30 June 2009 and 30 June 2010 respectively. The total impairment expenses of $148,258,000 incurred in these periods comprised write-downs of goodwill and other intangible assets of the Stella Group Australian and New Zealand operations of $38,232,000 and $110,026,000 respectively. The remaining intangible assets of the Stella Group as at 31 December 2009 of $266,357,000 (as set out in section 4.2.8) is comprised of goodwill and brands in respect of the Stella Group Australian operations of $193,024,000 and $42,000,000 respectively, as well as goodwill and brands of the Stella Group New Zealand operations of $5,430,000 and $25,903,000 respectively. The carrying values of these remaining intangible assets are supported by the expected future cashflows of the Stella Group businesses under the value in use methodology contained in Australian Accounting Standards.

4.2.4 Reconciliation of the Stella Group Pro-Forma Historical Income Statement for the year ended 30 June 2009 to the audited income statements of the GVH Group

In presenting the Stella Group Pro-Forma Historical Income Statement for the year ended 30 June 2009 included in this Explanatory Memorandum, adjustments to the audited statutory consolidated historical income statements of the GVH Group have been made for certain transactions and/or events including a substantial restructuring of the GVH Group on 31 July 2009. These adjustments are summarised below.

Year ended 30 June 2009 A$000s	Revenue	EBITDAI
Actual reported GVH Group	999,204	40,760
Adjustments:		
Adjustment 1	–	9,365
Adjustment 2	(319,442)	36,003
Adjustment 3	(428,755)	(55,227)
Pro-forma Stella Group	251,007	30,901

Notes to pro-forma adjustments

Adjustment 1: These adjustments to the underlying results of the Stella Group are in relation to one-off costs associated with: restructuring and rebranding of the Stella Group businesses ($6,313,000); reconciliation of legacy systems ($1,621,000) and other non-recurring items ($1,431,000).

Adjustment 2: This adjustment reflects the revenue and EBITDAI of certain entities previously owned by the Stella Group which are not included in the Merger Proposal.

Adjustment 3: This adjustment reflects the revenue and EBITDAI of other entities previously related to but not owned by the Stella Group which are also not included in the Merger Proposal.

4.2.5 Composition of the Stella Group Pro-Forma Forecast Income Statements

The table below provides the composition of the Stella Group Pro-Forma Forecast Income Statements for the year ended 30 June 2010, showing separately the pro-forma consolidated historical income statement for the six months ended 31 December 2009 and the pro-forma consolidated forecast income statement for the six months ended 30 June 2010.

Year ended 30 June 2010 A$000s	Pro-forma historical income statement for the six months ended 31 December 2009	Pro-forma forecast income statement for the six months ended 30 June 2010	FY10 pro-forma forecast income statement
TTV[1]	**1,578,209**	**1,731,930**	**3,310,139**
Revenue	108,318	105,436	213,754
Interest income on client cash	926	1,098	2,024
Total revenue[2]	**109,244**	**106,534**	**215,778**
Expenses	(99,148)	(97,408)	(196,556)
Share of results from equity accounted investments	533	422	955
EBITDAI[2]	**10,629**	**9,548**	**20,177**
Impairment Expenses[3]	(17,300)	(300)	(17,600)
EBITDA	**(6,671)**	**9,248**	**2,577**

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 across the Stella Group's various operations, including by the Stella Group's franchisees acting as agents for various airlines and other service providers, plus revenue from other sources. The Stella Group's revenue is therefore derived from TTV. TTV does not represent the Stella Group's cash flows as some transactions are settled directly between the customer and supplier.

(2) EBITDAI is presented before interest expense and income tax, depreciation, amortisation and impairment expenses. 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.

(3) Refer to section 4.2.3 for further details regarding the Stella Group impairment expenses.

4.2.6 Reconciliation of the Stella Group Pro-Forma Forecast Income Statements

In presenting the Stella Group Pro-Forma Forecast Income Statements included in this Explanatory Memorandum, adjustments to the management accounting records of the Stella Group have been made for certain transactions and/or events in respect of the six month period to 31 December 2009, as well as forecast non-recurring items in respect of the six month period to 30 June 2010. These adjustments are summarised below.

Year ended 30 June 2010 A$000s	Historical six months ended 31 December 2009	Forecast six months ended 30 June 2010	Forecast year ended 30 June 2010
Stella Group EBITDAI[1]	**9,792**	**5,184**	**14,976**
Adjustments:			
Adjustment 1	837	764	1,601
Adjustment 2	–	3,600	3,600
Pro-forma Stella Group EBITDAI	**10,629**	**9,548**	**20,177**

Note:

(1) Prepared on the basis that the substantial restructuring of the GVH Group (refer section 4.2.4) occurred on 1 July 2009.

Notes to pro-forma adjustments

Adjustment 1: These adjustments reflect actual costs incurred in the period through to 30 April 2010 in relation to further one-off redundancy and restructuring costs necessary as a result of the global financial crisis.

Adjustment 2: These amounts represent non-recurring transaction costs associated with implementing the Merger Proposal which have been excluded from the Stella Group Pro-Forma Forecast Income Statements. This adjustment reflects actual amounts incurred during the period from January to April 2010, as well as an estimate of further transaction costs to be incurred in May and June 2010 in relation to the implementation of the Merger Proposal.

4.2.7 Stella Group Pro-Forma Forecast Income Statements

The Stella Group Pro-Forma Forecast Income Statements are comprised of the pro-forma consolidated historical income statement for the six months ended 31 December 2009 and the Stella Directors' pro-forma consolidated forecast income statement for the six months from 1 January 2010 to 30 June 2010.

The Stella Directors pro-forma consolidated forecast income statement for the six months ended 30 June 2010 is based on the unaudited actual pro-forma historical income statement of the Stella Group for the four months to 30 April 2010 and the forecast income statement for the months of May and June 2010.

The Stella Group Pro-Forma Forecast Income Statements have been reviewed by PricewaterhouseCoopers Securities. The PricewaterhouseCoopers Securities Investigating Accountant's Report is contained in section 7.2.

Best estimate assumptions underlying the Stella Group Pro-Forma Forecast Income Statements

The Stella Group Pro-Forma Forecast Income Statements are based on various best estimate assumptions, of which the key assumptions are set out below. The assumptions below are a summary only and do not represent all factors that will affect the Stella Group's forecast financial performance. This information is intended to assist JTG Shareholders in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of the Stella Group Pro-Forma Forecast Income Statements set out in section 4.2.2 and the risk factors set out in section 5.7.

The Stella Directors' best estimate assumptions underpinning the Stella Directors' forecasts for the six months from 1 January 2010 to 30 June 2010 include the following:

- business-as-usual conditions considering seasonality and historical booking and travel trends;
- override commission receivable from air and land partners and commissions payable to agents have been forecast based on current contracted override commission levels, expected sales volumes for May and June 2010 derived from historical seasonal booking patterns of each Stella Group business and actual historical experience during the 10 months to April 2010;
- interest rates are consistent with current rates applicable to cash investments;
- expenses are forecast to remain consistent with actual Stella Group expense levels experienced in the period from 1 January 2010 to April 2010;
- average exchange rates of A$1:US$0.902, A$1:NZ$1.275 for the six months ended 30 June 2010. The Stella Group hedges approximately 75% of its foreign exchange exposure as a matter of policy. Therefore only a very material change in the actual exchange rates applying in May and June 2010 versus the forecast exchange rates noted above would have a material impact on the Stella Group Pro-Forma Forecast Income Statements; and
- the absence of any material, adverse geo-political events. The travel industry is such that events including volcanic eruptions, civil unrest, pandemics or financial crises in one or more regions of the world can have significant impacts on trading. The forecasts implicit within this Explanatory Memorandum assume no such events.

Management discussion and analysis of forecast year ended 30 June 2010 compared to year ended 30 June 2009

The operating results of the Stella Group comprise the operations of the Stella Group in Australia, New Zealand, Fiji, North America and Asia as well as a joint venture in South Africa.

Together, the operations in Australia and New Zealand account for the majority of the TTV and EBITDAI of the Stella Group. In the year ended 30 June 2010, the Australian and New Zealand operations are forecast to generate 87.5% and 11.1% respectively of forecast Stella Group TTV for the year ended 30 June 2010.

In South Africa, the Stella Group has a 50% interest in a joint venture with Bidvest Group Limited in respect of the operations of Harvey World Travel South Africa.

Information about the Stella Group continued

TTV for the 12 months to 30 June 2010 is forecast to reach $3.3 billion, representing a decrease of 10.6% compared to the year ended 30 June 2009.

TTV in the first half of the year ended 30 June 2010 was adversely impacted by the global financial crisis and the impact that this had on demand for business and leisure travel. Airlines responded to the decline in demand by significantly reducing airline ticket prices. This had a significant flow-on effect on the travel distribution sector, resulting in sustained demand for air travel but at significantly lower sale prices. The impact of this was that both airline principals and the travel distribution industry experienced a reduction in earnings and profitability.

The reduction in airline ticket prices had a significant impact on revenue for the Stella Group with pro-forma forecast revenue for the year ended 30 June 2010 of $213.8 million, representing a decrease of 13.7% compared to pro-forma revenue for the year ended 30 June 2009.

Interest income on client cash for the year ended 30 June 2010 is forecast to be $2.024 million, representing a reduction on the interest income generated on client cash for the year ended 30 June 2009 of 39.1%. The reduction in interest income reflects the lower TTV and revenue generated in the year ended 30 June 2010 as well as the lower interest rate environment in Australia during the period.

During the year ended 30 June 2009, the Stella Group responded to the impact of the global financial crisis by taking significant restructuring measures in order to reduce costs. A number of these cost saving initiatives were implemented in the second, third and fourth quarters of the year ended 30 June 2009. The full year benefit of these restructuring and cost saving initiatives are therefore being realised in the year ended 30 June 2010. As a result of these cost reduction measures, pro-forma expenses are forecast to reduce to $196.6 million for the year ended 30 June 2010, a 10.9% decrease compared to the year ended 30 June 2009. A significant proportion of the expense reductions have arisen as a result of a reduction in headcount resulting in pro-forma forecast employee costs for the year ended 30 June 2010 being 12.2% below employee costs for the year ended 30 June 2009.

The reduction in employee costs reflects a comprehensive restructuring of a number of areas of the business in response to the global financial crisis both in the Australian and New Zealand operations. In New Zealand, both the wholesale and corporate travel divisions undertook a consolidation of the operations. The New Zealand wholesale operations of Gullivers and Go Holidays were combined under Go Holidays and the two corporate travel businesses were combined under Atlantic Pacific American Express.

The share of results from equity accounted investments for the year ended 30 June 2010 is forecast to be $0.955 million, representing an increase of 62.1% compared to the year ended 30 June 2009. The majority of this forecast increase is attributable to an increase in earnings from the investment in Harvey Holidays, which is a 50-50 joint venture between Harvey World Travel and Qantas.

4.2.8 Stella Group Pro-Forma Historical Balance Sheet

The Stella Group Pro-Forma Historical Balance Sheet provided below is based on the Stella Group historical balance sheet, after making a pro-forma adjustment in respect of the presentation of client cash. For the purposes of the Stella Group Pro-Forma Historical Balance Sheet, client cash as at 31 December 2009 has been presented separately to cash attributable to shareholders.

The Stella Group Pro-Forma Historical Balance Sheet has been reviewed by PricewaterhouseCoopers Securities. The PricewaterhouseCoopers Securities Investigating Accountant's Report is contained in section 7.2.

As at 31 December 2009 A$000s	Stella Group historical balance sheet	Pro-forma adjustment	Stella Group Pro-Forma Historical Balance Sheet
ASSETS			
Current assets			
Cash[1]	72,135	(50,440)	21,695
Client cash	–	50,440	50,440
Trade and other receivables	73,909	–	73,909
Other current assets	342	–	342
Total current assets	**146,386**	**–**	**146,386**

Information about the Stella Group continued

As at 31 December 2009 A$000s	Stella Group historical balance sheet	Pro-forma adjustment	Stella Group Pro-Forma Historical Balance Sheet
Non-current assets			
Property plant and equipment	13,447	–	13,447
Intangible assets and goodwill(3)	266,357	–	266,357
Investments	3,801	–	3,801
Deferred tax assets	16,558	–	16,558
Other non-current assets	905	–	905
Total non-current assets	**301,068**	**–**	**301,068**
TOTAL ASSETS	**447,454**	**–**	**447,454**
LIABILITIES			
Current liabilities			
Trade and other payables	137,711	–	137,711
Interest bearing loans and borrowings	15,935	–	15,935
Provisions	5,538	–	5,538
Income tax payable	1,514	–	1,514
Other current liabilities	326	–	326
Total current liabilities	**161,024**	**–**	**161,024**
Non-current liabilities			
Interest bearing loans and borrowings	40,195	–	40,195
Provisions	898	–	898
Deferred tax liabilities	18,519	–	18,519
Total non-current liabilities	**59,612**	**–**	**59,612**
TOTAL LIABILITIES	**220,636**	**–**	**220,636**
NET ASSETS	**226,818**	**–**	**226,818**
EQUITY			
Issued capital	90,008	–	90,008
Reserves	152,197	–	152,197
Retained earnings(2)	(15,781)	–	(15,781)
Minority interests	394	–	394
Total equity	**226,818**	**–**	**226,818**

Notes:

(1) In the Stella Group historical balance sheet, the amount of $72,135,000 includes client cash.

(2) Negative retained earnings as at 31 December 2009 has been impacted by a non-cash impairment charge of $17.3 million in relation to the Australian and New Zealand operations.

(3) Refer to section 4.2.3 for an overview of the composition of the Stella Group intangible assets as at 31 December 2009.

* The net current liability at 31 December 2009 of $14.6 million reflects the seasonal nature of the Stella Group business. The Stella Group has access to additional liquidity through a working capital facility of A$20 million of which NZ$14 million was drawn as at 31 December 2009 to fund seasonal working capital requirements of the Stella Group's New Zealand business. This facility was fully repaid as at 30 June 2010 and remains available to Stella Group to fund seasonal working capital requirements. The terms of the facility are described in section 5.6.

5

Profile of the enlarged JTG Group

5.1 OWNERSHIP STRUCTURE

If the Resolutions are approved by JTG Shareholders and the Merger Proposal is implemented:

- the Stella Group will become wholly-owned by JTG; and
- 219,552,978 JTG Shares will be issued to the Stella Vendors representing 50% of the JTG Shares on issue immediately after implementation of the Merger Proposal.

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

	Current		Immediately post merger	
Shareholder(s)	Number of JTG Shares	% of total	Number of JTG Shares	% of total
QH Tours	127,340,726	58.0	127,340,726	29.0
Sintack Pty Ltd and associates (Just Super Co Pty Ltd and S&I Nominees Pty Ltd)	55,367,051	25.2	55,367,051	12.6
Other JTG Shareholders	36,845,199	16.8	36,845,199	8.4
SGH	Nil	Nil	196,881,154	44.8
Stella Option Holders	Nil	Nil	22,671,824	5.2
Total	**219,552,976**	**100.0**	**439,105,954**	**100.0**

The JTG Shares to be issued to SGH are to be transferred to GVH and then to EV and UBSAHL as described in section 6.1. Following these transfers, the JTG Shares issued to SGH will be held as follows:

	Immediately post merger		Following the Post Merger Transfers	
Shareholder(s)	Number of JTG Shares	% of total	Number of JTG Shares	% of total
EV	Nil	Nil	118,068,377	26.9
UBSAHL	Nil	Nil	78,812,777	17.9
Total	**Nil**	**Nil**	**196,881,154**	**44.8**

The JTG Shares to be issued to SGH (and subsequently transferred under the Post Merger Transfers) and the Stella Option Holders on Completion will be subject to escrow restrictions for a minimum period of 15 months, subject to certain exceptions, as summarised in sections 8.3 and 8.3.3.

5.2 BUSINESS STRUCTURE

Following implementation of the Merger Proposal, the JTG and the Stella Group businesses will be combined under a common ownership structure, creating one of the leading integrated travel companies in Australia. The enlarged JTG Group will operate a number of leading businesses in the retail, online, corporate, wholesale and inbound segments of the Australian market for the acquisition of travel related product and services. The enlarged JTG Group will have operations in Australia, New Zealand, Asia, Fiji, the United States and South Africa.

Profile of the enlarged JTG Group continued

JTG organisational structure post merger

ENLARGED JTG GROUP

	RETAIL	CORPORATE	WHOLESALE	AIR
AUSTRALIA	Travelscene (Travel created for you) / American Express; Harvey World Travel (The Travel Professionals); BestFlights.com.au; travelworld; Jetset; JTG Business Select; ReadyRooms.com	QBT; Travelscene Corporate; atlantic pacific travel	Travelscene Holidays; a.t.s. Pacific; Travel2; Harvey's Choice Holidays; Travel Indochina; Rail Tickets; Ski Express; Qantas Holidays; talpacific Holidays; orient pacific; Newmans Holidays; viva! holidays	air tickets; smart fares; smart tickets; concorde agency network; World Aviation
NEW ZEALAND	United Travel (For the love of travel.); Harvey World Travel (The Travel Professionals); The Travel Brokers ("Your personal travel professional")	apx / American Express	Go Holidays!	World Aviation
UNITED STATES	Qantas Vacations (The Best Downunder!); Travelscene (Travel created for you)		Qantas Vacations (The Best Downunder!); Travel2; Islands in the Sun	
SOUTH AFRICA	Harvey World Travel (The Travel Professionals)			

Profile of the enlarged JTG Group continued

5.3 JTG BOARD

If the Merger Proposal is implemented, the JTG Board will be reconstituted to comprise:

Tom Dery (Independent Non-executive Chairman)

Mr Dery was appointed to the JTG Board in September 2008 and appointed as Chairman in February 2009. He has more than 40 years management experience in the travel industry, having begun his career at Qantas and holding a number of senior roles at Ansett Airlines. Mr Dery holds a Bachelor of Commerce degree (majoring in Economics) from the University of New South Wales and a Master of Business Administration degree from Stanford University. Mr Dery has considerable experience in the advertising industry having founded a number of advertising agencies including The Campaign Palace, Whybin Dery & Partners and M&C Saatchi in Asia Pacific. Mr Dery is currently the Chairman of M&C Saatchi Worldwide and the Australian Cancer Research Foundation.

Peter Lacaze (Managing Director and CEO)

Peter Lacaze was appointed Chief Executive Officer of the Stella Group in September 2008. He has more than 30 years management experience across the manufacturing, retail, healthcare and travel sectors. Mr Lacaze has previously held CEO roles at Transonic Travel, Concorde International Travel, Qantas Holidays and Jetset Travel & Technology. Mr Lacaze holds a Bachelor of Commerce from the University of Queensland, an MBA from Cranfield School of Management (UK), is a Fellow of the Australian Institute of Management, and is an Associate of the Australian Institute of Company Directors and CPA Australia.

Brett Johnson (Non-executive Director)

Brett Johnson was appointed to the JTG Board in February 2009. He joined Qantas at the time of its privatisation in July 1995 as its General Counsel. Mr Johnson is responsible for legal risk management within the Qantas Group and also manages the Qantas legal department. Mr Johnson is a member of the Qantas Executive Committee involved in the day-to-day management of the Qantas Group with particular responsibility for providing commercial legal support to the Qantas CEO and Qantas board. He is an independent non-executive director and Chairman of the Audit Committee of Scott Corporation. He is also a member of the ASX Appeals Tribunal. Mr Johnson was admitted as a solicitor of the Supreme Court of New South Wales in 1982 and has more than 28 years legal experience in Australia and overseas.

Gareth Evans (Non-executive Director)

Gareth Evans was appointed to the JTG Board in July 2008. Mr Evans is Chief Financial Officer of Qantas and is a director of the Qantas Foundation. He is responsible for the finance activities of the airline, commercial and business analytics and the implementation of major business change initiatives. His previous roles with Qantas covered a number of operational areas including scheduling of the international and domestic network, ticket pricing, revenue management and airline operations on the day as well as readiness activities for the arrival of the A380. Prior to joining Qantas in 1999, he held a number of corporate finance roles with Caltex Australia and KPMG in Australia and the United Kingdom. Mr Evans is a member of the Institute of Chartered Accountants in England and Wales.

Andrew Cummins (Non-executive Director)

Andrew Cummins is Chairman of CVC, Australia. 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. Mr Cummins is currently Chairman of several CVC portfolio companies, including Stella Travel, Mantra Group (a leading Australian hotel accommodation manager), I-MED Holdings (a leading Australian diagnostic imaging clinic network) and RCTI Inc. (a manufacturer of concrete rail ties in United States of America). He is also a director of PBL Media (a leading Australian diversified media company), Pacific Brands Limited (a well known brand marketing company in Australia) and Asia Bottles Holdings (the largest manufacturer of PET bottles in China). Mr Cummins has a Bachelor's Degree from Monash University, Australia, a Graduate Business Degree from the University of Newcastle, Australia and an MBA from Stanford University in California, USA.

Adrian MacKenzie (Non-executive Director)

Adrian MacKenzie is a Managing Partner of CVC with responsibility for Australia and New Zealand. Mr MacKenzie joined CVC's London office in 1995 and transferred to CVC's Sydney office in 2001. Mr MacKenzie is a director of Stella Travel, PBL Media, carsales.com.au and Mantra Group. Previously, Mr MacKenzie was with J Henry Schroder Wagg & Co. Ltd in London and New York and HSBC Investment Bank Ltd in London. Mr MacKenzie holds a degree in Technology and Business Studies from the University of Strathclyde, Scotland.

Profile of the enlarged JTG Group continued

Peter Spathis (Non-executive Director)

Peter Spathis was appointed to the JTG Board in June 2002. 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 15 years experience in finance, accounting and information technology management, 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.

Michael Riches (Non-executive Director)

Michael Riches is a lawyer with over 17 years experience practising in the banking and finance sector. Mr Riches acted extensively for public companies and major financial institutions on large scale merger and acquisition financing and general corporate finance transactions. Mr Riches was a partner at Minter Ellison from 2000-2004 and a partner at Clayton Utz from 2004-2010. He was a member of the Clayton Utz board from 2008-2010. Mr Riches has a Bachelor of Commerce degree and a Bachelor of Laws degree, both from the University of New South Wales.

Additional Non-executive Director

The JTG Board intends to appoint an additional independent non-executive director to the JTG Board to further strengthen the JTG Board should the Resolutions relating to the Merger Proposal be approved and the Merger Proposal implemented. It is anticipated that the additional independent director will be nominated for election at JTG's first annual general meeting after the director's appointment.

5.4 MANAGEMENT

If the Merger Proposal is implemented, Peter Lacaze will be appointed as the CEO of JTG, Elizabeth Gaines will be appointed as CFO and Andrea Slark will be appointed as General Manager, Corporate Affairs.

Peter Lacaze, Chief Executive Officer

A profile of Mr Lacaze is set out in section 5.3.

Elizabeth Gaines, Chief Financial Officer

Elizabeth Gaines was appointed Chief Financial Officer of SGH in September 2008. Prior to joining SGH, Ms Gaines was the Chief Finance and Operations Director of UK-based Entertainment Rights Plc and was previously Chief Executive Officer of Heytesbury Pty Limited, a private company with interests in property, construction and agribusiness. Ms Gaines has held senior treasury and finance roles at BankWest in Australia and Kleinwort Benson in the UK and qualified as a Chartered Accountant with Ernst & Young. Ms Gaines is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce degree and a Master of Applied Finance degree.

Andrea Slark, General Manager, Corporate Affairs

Andrea Slark has been the Chief Development Officer of JTG since 1 October 2008, with responsibility for mergers and acquisitions and people. Prior to this role, Andrea was General Manager Strategy Mergers and Acquisitions in Qantas where she was involved in a number of important strategic projects for the Qantas Group, including the investment in Vietnam-based Pacific Airlines. Andrea has extensive financial and investor relations experience and has assisted numerous companies in the preparation of management and statutory accounts. Prior to joining Qantas, she was Group Manager Corporate Development for Pacifica Group Limited and was previously an Associate Director of Deloitte Corporate Finance and Coopers & Lybrand Corporate Finance. Andrea is a Fellow of the Institute of Chartered Accountants in England and Wales.

5.5 ENLARGED JTG GROUP PRO-FORMA FINANCIAL INFORMATION

5.5.1 Overview

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

- the Enlarged JTG Group Pro-Forma Forecast Income Statement; and
- the Enlarged JTG Group Pro-Forma Historical Balance Sheet.

Also summarised in this section is the basis of preparation of the Enlarged JTG Group Pro-Forma Financial Information (refer to section 5.5.2).

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

The Enlarged JTG Group Pro-Forma Financial Information has been reviewed by KPMG Transaction Services. The KPMG Transaction Services Investigating Accountant's Report is contained in section 7.1.

The information in this section should also be read in conjunction with the risk factors set out in section 5.7 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 JTG Group Pro-Forma Financial Information

The Enlarged JTG Group Pro-Forma Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

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

- the Stella Group Financial Information, specifically the Stella Group Pro-Forma Historical Balance Sheet and the Stella Group Pro-Forma Forecast Income Statements (refer to sections 4.2.8 and 4.2.5 respectively);
- the JTG Group Financial Information, specifically the JTG Group Pro-Forma Historical Balance Sheet and the JTG Group Pro-Forma Forecast Income Statement (refer to sections 9.1.7 and 9.1.4 respectively); and
- certain pro-forma adjustments applied to the combination of the Stella Group Financial Information and the JTG Group Financial Information to:
  - reflect the alignment of the JTG Group's accounting policies with those of the Stella Group, as Stella Travel is the deemed acquirer for accounting purposes;
  - eliminate the effects of intercompany transactions between the JTG Group and the Stella Group; and
  - present the pro-forma acquisition accounting impact of implementing the Merger Proposal on the Enlarged JTG Group Pro-Forma Historical Balance Sheet.

The Enlarged JTG Group Pro-Forma Financial Information has been presented as if the Merger Proposal had been implemented on 1 July 2009. Accordingly, the Enlarged JTG Group Pro-Forma Forecast Income Statement reflects the full year impact of the implementation of the Merger Proposal to provide JTG Shareholders with an illustration of the potential full year earnings profile of the enlarged JTG Group.

JTG is the legal parent in respect of the Merger Proposal and will issue JTG Shares to effect the business combination with the Stella 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 Stella Directors and the JTG Directors are of the opinion that Stella Travel is the accounting acquirer. This conclusion is based on an assessment of all relevant facts and circumstances and, in particular, the composition of the senior management of the enlarged JTG Group. This method of accounting is referred to as 'reverse acquisition accounting'.

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

Profile of the enlarged JTG Group continued

The Enlarged JTG Group Pro-Forma Forecast Income Statement has been presented before interest expense, and income tax, depreciation, amortisation and impairment expenses. Following the Merger Proposal being implemented, the enlarged JTG Group will be required to restate the assets and liabilities of the JTG 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 are not a meaningful representation of the future earnings profile of the enlarged JTG Group.

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

The Enlarged JTG Group Pro-Forma Historical Balance Sheet reflects the difference between the purchase price paid and the net assets acquired as a reduction in goodwill. No fair value adjustments to net assets acquired, other than 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.

JTG Shareholders should be aware that the actual financial performance achieved by the enlarged JTG Group subsequent to the implementation of the Merger Proposal may vary materially from that shown in the Enlarged JTG Group Pro-Forma Forecast Income Statement and this may have a materially positive or negative effect on the enlarged JTG Group's actual financial position. JTG Shareholders are advised to review the JTG best estimate assumptions set out in section 9.1.6, the Stella Directors' best estimate assumptions set out in section 4.2.7 the risk factors set out in section 5.7 and other information set out in this Explanatory Memorandum.

5.5.3 Enlarged JTG Group Pro-Forma Forecast Income Statement

The table below summarises the Enlarged JTG Group Pro-Forma Forecast Income Statement for the year ended 30 June 2010. The Enlarged JTG Group Pro-Forma Forecast Income Statement is shown for illustrative purposes to demonstrate the potential full year earnings profile of the enlarged JTG Group as if the Merger Proposal had been implemented on 1 July 2009.

		Accounting policy alignment pro-forma adjustments						
Forecast year ended 30 June 2010 A$000s	JTG Group Pro-Forma Forecast Income Statement	1) Presentation alignment of commission revenue and payments to agents	2) Presentation alignment of contributions from suppliers and customers for marketing expenses	3) Presentation alignment of foreign exchange gains and losses	Adjusted JTG Group Pro-Forma Forecast Income Statement	Stella Group Pro-Forma Forecast Income Statements	4) Inter-company elimination pro-forma adjustments	Enlarged JTG Group Pro-Forma Forecast Income Statement
TTV[1]	**2,198,668**	**–**	**–**	**–**	**2,198,668**	**3,310,139**	**(14,241)**	**5,494,566**
Revenue	135,108	13,144	8,481	(2,018)	154,715	213,754	(3,016)	365,453
Interest income on client cash	3,358	–	–	–	3,358	2,024	–	5,382
Total revenue[2]	**138,466**	**13,144**	**8,481**	**(2,018)**	**158,073**	**215,778**	**(3,016)**	**370,835**
Expenses	(115,127)	(13,144)	(8,481)	2,018	(134,734)	(196,556)	3,016	(328,274)
Share of results from equity accounted investments	–	–	–	–	–	955	–	955
EBITDAI[2]	**23,339**	**–**	**–**	**–**	**23,339**	**20,177**	**–**	**43,516**

Profile of the enlarged JTG Group continued

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 across the enlarged JTG Group's various operations, including by franchisees and affiliates acting as agents for various airlines and other service providers, plus revenue from other sources. The enlarged JTG Group's revenue is therefore derived from TTV. TTV does not represent the enlarged JTG 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 (refer to sections 4.2.3 and 9.1.5).

* Included in JTG EBITDAI in the JTG Group Pro-Forma Forecast Income Statement for the year ended 30 June 2010, is $9.0 million of non-recurring income. Refer section 9.1.6 for further details.

Notes to pro-forma adjustments

The pro-forma adjustments outlined below reflect the alignment of accounting policies, and elimination of intercompany transactions, between the JTG Group and the Stella Group. The accounting policy adjustments align the JTG Group's accounting policies with those of the Stella Group, as Stella Travel is the deemed acquirer for accounting purposes.

Adjustment 1: The Stella Group presents commission revenue and payments to agents separately as revenue and expense. The JTG Group presents commission revenue and payments to agents on a net basis within revenue. This adjustment restates the JTG Group revenue and expenses to align with the Stella Group accounting policies. This adjustment has no impact on EBITDAI.

Adjustment 2: The Stella Group presents contributions from suppliers and customers for marketing expenses as revenue, with the associated marketing costs presented in expenses. The JTG Group presents contributions from suppliers and customers for marketing expenses and the associated marketing costs on a net basis within revenue. This adjustment restates the JTG Group revenue and expenses to align with the Stella Group accounting policies. This adjustment has no impact on EBITDAI.

Adjustment 3: This adjustment restates the JTG Group presentation of foreign exchange gains and losses to align with Stella Group accounting policies. This adjustment has no impact on EBITDAI.

Adjustment 4: This adjustment eliminates intercompany transactions between the Stella Group and the JTG Group. These transactions predominantly comprise override commissions and marketing contributions paid to the Stella Group by the JTG Group. This adjustment has no impact on EBITDAI.

The Enlarged JTG Group Pro-Forma Forecast Income Statement excludes the impact of any future cost savings that may be derived following the implementation of the Merger Proposal. In this regard, JTG has estimated that pre-tax cost savings of at least $10 million can be achieved by 30 June 2012 on an annualised basis. The one-off costs of implementation to achieve these annual cost savings are expected to be in the vicinity of $4 million. These estimates are based on a detailed review of the potential cost savings areas and a robust risk assessment as to the achievement of those identified cost savings.

5.5.4 Enlarged JTG Group Pro-Forma Historical Balance Sheet

The table below summarises the Enlarged JTG Group Pro-Forma Historical Balance Sheet as at 31 December 2009 as if the Merger Proposal had been implemented by that date.

As at 31 December 2009 A$000s	JTG Group Pro-Forma Historical Balance Sheet	1) Accounting policy alignment	Adjusted JTG Group Pro-Forma Historical Balance Sheet	Stella Group Pro-Forma Historical Balance Sheet	2) Stella Group New Zealand and US tax losses not available post merger	3) Inter-company eliminations	4) Acquisition accounting	Enlarged JTG Group Pro-Forma Historical Balance Sheet
ASSETS								
Current assets								
Cash	36,765	–	36,765	21,695	–	–	–	58,460
Client cash	72,001	–	72,001	50,440	–	–	–	122,441
Trade and other receivables	52,048	–	52,048	73,909	–	(2,127)	–	123,830
Other current assets	16,186	(14,396)	1,790	342	–	–	–	2,132
Total current assets(1)	**177,000**	**(14,396)**	**162,604**	**146,386**	**-**	**(2,127)**	**-**	**306,863**

Profile of the enlarged JTG Group continued

As at 31 December 2009 A$000s	JTG Group Pro-Forma Historical Balance Sheet	1) Accounting policy alignment	Adjusted JTG Group Pro-Forma Historical Balance Sheet	Stella Group Pro-Forma Historical Balance Sheet	2) Stella Group New Zealand and US tax losses not available post merger	3) Inter-company eliminations	4) Acquisition accounting	Enlarged JTG Group Pro-Forma Historical Balance Sheet
Non-current assets								
Property, plant and equipment	1,311	–	1,311	13,447	–	–	–	14,758
Intangible assets and goodwill	170,723	–	170,723	266,357	–	–	(20,483)	416,597
Investments	–	–	–	3,801	–	–	–	3,801
Deferred tax assets	–	–	–	16,558	(5,595)	–	–	10,963
Other non-current assets	–	–	–	905	–	–	–	905
Non-current assets	**172,034**	**–**	**172,034**	**301,068**	**(5,595)**	**–**	**(20,483)**	**447,024**
TOTAL ASSETS	**349,034**	**(14,396)**	**334,638**	**447,454**	**(5,595)**	**(2,127)**	**(20,483)**	**753,887**
LIABILITIES								
Current liabilities								
Trade and other payables	127,931	(14,396)	113,535	137,711	–	(2,127)	–	249,119
Interest bearing loans and borrowings	–	–	–	15,935	–	–	–	15,935
Provisions	4,738	–	4,738	5,538	–	–	–	10,276
Income tax payable	–	–	–	1,514	–	–	–	1,514
Other current liabilities(1)	–	–	–	326	–	–	–	326
Total current liabilities	**132,669**	**(14,396)**	**118,273**	**161,024**	**–**	**(2,127)**	**–**	**277,170**
Non-current liabilities								
Interest bearing loans and borrowings	–	–	–	40,195	–	–	–	40,195
Provisions	1,478	–	1,478	898	–	–	–	2,376
Deferred tax liabilities	18,762	–	18,762	18,519	–	–	–	37,281
Total non-current liabilities	**20,240**	**–**	**20,240**	**59,612**	**–**	**–**	**–**	**79,852**
TOTAL LIABILITIES	**152,909**	**(14,396)**	**138,513**	**220,636**	**–**	**(2,127)**	**–**	**357,022**
NET ASSETS	**196,125**	**–**	**196,125**	**226,818**	**(5,595)**	**–**	**(20,483)**	**396,865**

Profile of the enlarged JTG Group continued

As at 31 December 2009 A$000s	JTG Group Pro-Forma Historical Balance Sheet	1) Accounting policy alignment	Adjusted JTG Group Pro-Forma Historical Balance Sheet	Stella Group Pro-Forma Historical Balance Sheet	2) Stella Group New Zealand and US tax losses not available post merger	3) Inter-company eliminations	4) Acquisition accounting	Enlarged JTG Group Pro-Forma Historical Balance Sheet
EQUITY								
Issued capital	172,345	–	172,345	90,008	–	–	3,297	265,650
Reserves	168	–	168	152,197	–	–	(168)	152,197
Retained earnings(2)	23,612	–	23,612	(15,781)	(5,595)	–	(23,612)	(21,376)
Minority interests	–	–	–	394	–	–	–	394
Total equity	**196,125**	**–**	**196,125**	**226,818**	**(5,595)**	**–**	**(20,483)**	**396,865**

Notes:

(1) The Stella Group net current liability at 31 December 2009 of $14.6 million reflects the seasonal nature of the Stella Group business. The Stella Group has access to additional liquidity through a working capital facility of A$20 million of which NZ$14 million was drawn as at 31 December 2009 to fund seasonal working capital requirements of the Stella Group's New Zealand business. This facility was fully repaid as at 30 June 2010 and remains available to Stella Group to fund seasonal working capital requirements. The terms of the facility are described in section 5.6.

(2) The Stella Group's negative retained earnings as at 31 December 2009 has been impacted by a non-cash goodwill impairment charge of $17.3 million in relation to the Australian and New Zealand operations.

Notes to pro-forma adjustments

Adjustment 1: This adjustment restates the JTG Group's balance sheet classification of prepayments to suppliers on behalf of customers to be consistent with the Stella Group's accounting policy. This adjustment has no impact on net assets.

Adjustment 2: Tax losses in respect of the Stella Group's New Zealand and US operations are capitalised in the Stella Group Pro-Forma Historical Balance Sheet as deferred tax assets. This adjustment removes such capitalised losses as they are not expected to be available to the enlarged JTG Group following implementation of the Merger Proposal.

Adjustment 3: This adjustment eliminates intercompany balances between the Stella Group and the JTG Group.

Adjustment 4: This adjustment represents the pro-forma reverse acquisition accounting impact on the Enlarged JTG Group Pro-Forma Balance Sheet, based on the purchase price deemed to be paid by Stella Travel for the net assets of the JTG Group. The Enlarged JTG Group Pro-Forma Historical Balance Sheet reflects the following acquisition accounting adjustments:

- a reduction in intangible assets of $20,483,000;
- a decrease in retained earnings of $23,612,000 to reflect the elimination of the JTG Group's pre-acquisition retained earnings;
- a decrease in reserves of $168,000 to reflect the elimination of the JTG Group's pre-acquisition hedge accounting reserve; and
- an increase in contributed equity of $3,297,000.

AASB 3 provides guidance on calculating the cost of acquisition where there is a reverse acquisition. The cost of acquisition is based on the fair value of the "notional shares" that would need to be issued by Stella Travel, as the accounting acquirer, to JTG, the accounting acquiree.

It is considered that the fair value of the notional shares that Stella Travel would have had to issue to JTG would be equal to the fair value of the actual JTG Shares, based on their quoted market price, which will be issued by JTG at acquisition date. This treatment is based on the following:

- the merger ratio for the transaction has been agreed at 50:50 based on an arm's length negotiation between two independent parties;
- the cost of acquisition comprises an exchange of equity interests only;
- Stella Travel is a private company and its shares do not have a quoted market price; and
- JTG is a listed entity trading on the Australian Securities Exchange and its shares have a quoted market price.

For the purposes of the Enlarged JTG Group Pro-Forma Historical Balance Sheet the cost of acquisition is assumed to be $175.6 million based on the share price of JTG of $0.80 at the close of trade on 22 July 2010 multiplied by 219,552,976 JTG shares which were on issue prior to the transaction. The difference between the cost of acquisition and the book value of the JTG Group's net assets, for the purposes of the Enlarged JTG Group Pro-Forma Historical Balance Sheet, is allocated to intangible assets. On Completion a detailed valuation of the identifiable assets, liabilities and contingent liabilities of the JTG Group will be undertaken to ascertain the allocation of this difference.

Further, following Completion, the tax carrying values of the Stella Group's assets will be required to be reset, which will result in a corresponding adjustment to the deferred tax balances in the enlarged JTG Group balance sheet. As Stella Travel is the deemed accounting acquirer, this adjustment to deferred taxes will also impact income tax expense in the income statement.

Due to the above, the actual impact of acquisition accounting may vary from that disclosed in the Enlarged JTG Group Historical Pro-Forma Balance Sheet.

5.6 STELLA DEBT

5.6.1 Structure and purpose of the Facility Agreement

Certain members of the Stella Group (as borrower and guarantors), UBS AG (as financier and facility agent) and UBS Nominees Pty Limited (as security trustee) are party to a Facility Agreement. It is proposed that the Facility Agreement be amended and restated in connection with the Merger Proposal if certain conditions precedent are met. Upon the Facility Agreement being amended and restated, if JTG does not become a guarantor on Completion, the Stella Group will be required to procure that JTG accedes as a guarantor within an agreed period.

The guarantee provided by JTG will be subordinated to JTG's obligations in respect of client funds. The following is a brief summary of the Facility Agreement as it is proposed to be amended and restated however the amending deed to the Facility Agreement has not yet been signed and accordingly the terms of the final amended Facility Agreement may differ from the summary set out below.

The Facility Agreement will contain three primary facilities on the following key terms:

Facility details	Tranche A Facility	Tranche B Facility	Tranche C Facility
Type of facility	Term loan	Revolving credit (advances and letter of credit)	Revolving credit (advances and letter of credit)
Size of facility	A$32.1 million and NZ$10 million	Approximately A$31 million	A$20 million
Maturity (unless terminated or cancelled early)	30 June 2013	Advances are repayable at the end of each applicable interest period. All amounts owing must be repaid by 30 June 2013	Advances are repayable at the end of each applicable interest period. All amounts owing must be repaid on the date on which the commitment under the facility is reduced to zero (which may be 30 June 2012) with semi-annual reductions of the commitment beginning 31 December 2010
Amount of facility drawn down as at 30 June 2010	Fully drawn	A$15,367,901 and NZ$6,000,000	$0

As the Tranche A Facility is fully drawn and is not a revolving facility, only the Tranche B Facility and the Tranche C Facility will be available for utilisation following the amendment and restatement of the Facility Agreement. The Tranche B Facility may be used for general corporate purposes and the Tranche C Facility for permitted working capital purposes.

5.6.2 Interest rate and fees

Advances under the facilities will bear interest at an applicable base rate (which is BBSY in respect of Australian dollars and BKBM in respect of New Zealand dollars) and the margin specified in the Facility Agreement that is applicable to the facility and for the period of time in which the funds remain outstanding. The facilities will also bear applicable line fees and duration fees for the period of time in which the funds or letters of credit remain outstanding.

5.6.3 Representations, undertakings and covenants

The Facility Agreement will contain various representations, undertakings, financial covenants, events of default and indemnities, many of which are typical for a debt facility of this nature. On Completion and the amendment and restatement of the Facility Agreement these provisions will, in some instances, apply to the enlarged JTG Group.

Some of the key undertakings and covenants include:

- a restriction on distributions by members of the JTG Group except in relation to permitted distributions which include distributions by JTG in respect of a specific six month period, of not greater than 70% of net profit after tax where the distribution is paid out of retained earnings of the JTG Group or a permitted distribution from a Stella Group entity for that six month period, where there is no event of default or potential event of default and where the ratio of debt to adjusted earnings of the JTG Group is within specified levels. See sections 2.11 and 6.5.7 for information relating to the JTG dividend policy;
- restrictions on acquisitions, disposals, the creation of security interests and indebtedness;
- restrictions on amending or terminating certain key contracts; and
- compliance with certain financial covenants including:
  - a minimum liquidity requirement (being that the aggregate of the non-client cash held by the enlarged JTG Group plus any undrawn commitment under the Tranche B Facility and Tranche C Facility is at least equal to A$30 million);
  - an interest cover ratio (being a ratio of adjusted earnings for the last 12 months to interest expense of the enlarged JTG Group); and
  - a total leverage ratio (being a ratio of all indebtedness of the enlarged JTG Group to adjusted earnings for the last 12 months).

5.6.4 Refinancing

Stella Travel has agreed with EV and UBSAHL that it will seek to, and in certain circumstances under the Facility Agreement may have an obligation to, use reasonable endeavours to seek to refinance the debt. However, there is no obligation on Stella Travel to achieve a refinancing.

5.6.5 Financial assistance

As noted above in section 5.6.1, the Facility Agreement is, subject to UBS AG agreeing to rolling over the Stella Debt and satisfaction of various conditions precedent, proposed to be amended and restated in connection with the Merger Proposal and certain members of the Stella Group (as borrower and guarantors) will, unless JTG becomes a guarantor under the facility upon Completion, be required under the Restated and Amended Facility Agreement to procure that JTG becomes a guarantor of all obligations and liabilities under or in connection with the Restated and Amended Facility Agreement within an agreed period. The provision of this guarantee by JTG may involve JTG financially assisting the Stella Parties and the Stella Option Holders to acquire JTG Shares under the relevant provisions of the Corporations Act. For that reason, JTG Shareholders are being asked to approve the provision of this financial assistance. Further information on this is set out in section 8.10.

5.7 RISK FACTORS

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

JTG Shareholders should be aware that many of the risks described below already apply to JTG's existing business and to the Stella 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 JTG Group and the JTG Board and cannot be mitigated. There are also general risks associated with any investment in securities.

The principal risk factors which JTG 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.

5.7.1 General risks

Changes in economic conditions

The financial performance of the enlarged JTG 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 JTG 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 JTG Shares may rise or fall over any given period as a result of one or a combination of these factors over which JTG and the JTG Board have no control.

Changes in regulatory and legal environment

The enlarged JTG 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 JTG Group, its business operations and financial performance, or have other unforeseen implications.

5.7.2 Specific risks associated with JTG and the enlarged JTG Group

Demand risk

The operations and profits of the enlarged JTG Group may be affected by fluctuating levels of demand for the travel services offered by the enlarged JTG 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 JTG 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 JTG Group in the future. These events could materially adversely affect the enlarged JTG Group's future financial performance and could cause that performance to differ materially from the pro-forma forecast financial information outlined in section 5.5. JTG and the Stella Group have considered each of these factors, and assessed previous and recent behaviour of their major clients and major suppliers (which may change once the Merger Proposal has been implemented), in preparing the pro-forma forecast financial information and the assumptions on which it is based.

Foreign exchange risk

The enlarged JTG Group operates in multiple jurisdictions and will source products internationally. As a result, the enlarged JTG Group is exposed to fluctuations in foreign exchange rates. While the enlarged JTG 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 JTG Group.

Industry competition

The enlarged JTG 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 JTG Group will operate, the market share of, and the margins earned by, the enlarged JTG Group (and therefore its future financial performance) may be adversely affected.

Reliance on key personnel

The continued success of the enlarged JTG 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 JTG Group will be able to retain the services of these employees in the future on acceptable terms.

Profile of the enlarged JTG Group continued

Technology risks

The enlarged JTG 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 JTG 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 JTG Group's business.

New technology

The ability of the enlarged JTG 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 JTG Group.

Loss of reputation, brand risk

The success of the enlarged JTG Group will be affected by its reputation and branding. Unforeseen issues or events that diminish the enlarged JTG 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 JTG 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 JTG 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 JTG Group. This expectation is based on presumed cost savings from consolidation and enhanced growth opportunities of the enlarged JTG Group. These anticipated benefits will depend in part on whether the JTG Group's and the Stella 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 JTG 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 JTG 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.

Significant shareholders

Following Completion the enlarged JTG Group will have a number of significant shareholders (as outlined in section 5.1).

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

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Information about EV and UBSAHL

6.1 PROPOSED TRANSFERS POST COMPLETION

If the JTG Shareholders approve the Resolutions and the Merger Proposal is implemented, SGH will be issued 196,881,154 new JTG Shares representing 44.8% of the JTG Shares immediately following implementation of the Merger Proposal.

Under the Merger Implementation Agreement, the Stella Parties must, as soon as practicable after Completion (and in any event within two months) take all steps which they are required to take to ensure that:

- SGH transfers the Consideration Shares issued to it to GVH (SGH is indirectly wholly-owned by GVH, which in turn is owned 60% by EV and 40% by UBSAHL); and
- GVH uses its reasonable endeavours to transfer approximately 59.97% of the Consideration Shares transferred to it by SGH to EV, and approximately 40.03% of the Consideration Shares transferred to it by SGH to UBSAHL.

The Consideration Shares to be transferred to EV and UBSAHL will be subject to escrow restrictions that will prevent these entities from selling or otherwise disposing of their JTG Shares for a minimum period of 15 months from the Completion Date, subject to certain exceptions and possible extensions, more fully described in section 8.3.

Further, the JTG Shares to be transferred by GVH to EV and UBSAHL will be subject to the terms of the Co-ordination Deed governing EV and UBSAHL's respective rights and obligations in connection with their respective shareholdings in JTG. The Co ordination Deed is described in further detail in section 8.5.

EV is indirectly majority owned by funds advised by CVC Asia Pacific and UBSAHL is wholly-owned by UBS AG. Accordingly, the CVC Entities and the UBS Entities will have relevant interests in the Consideration Shares issued pursuant to the Merger Proposal. Further detail concerning these entities is set out in section 6.2 below.

6.2 EV AND UBSAHL

Following the Post Merger Transfers, EV will hold 118,068,377 JTG Shares and UBSAHL will hold 78,812,777 JTG Shares.

6.2.1 EV

EV is majority owned by EV Sarl. EV Sarl is, in turn, wholly-owned by the General Partner acting as the general partner for and on behalf of CVC Asia III. CVC Asia III is comprised of two limited partnerships, CVC Capital Partners Asia Pacific III Parallel Fund – A L.P. and CVC Capital Partners Asia Pacific III L.P. The General Partner is ultimately wholly-owned by CVC Capital Partners.

CVC is a leading global private equity firm which manages and advises over US$45 billion in funds focused on management buyouts. CVC was founded in 1981 and today has a network of 20 offices throughout Europe, Asia and the United States. Since 1981, funds advised by CVC have completed over 250 investments across a wide range of industries and countries. CVC has been one of the most active private equity investors in the Asia-Pacific region and funds advised by CVC have completed 32 investments, with an aggregate transaction value of US$21 billion, covering Greater China, Southeast Asia, Korea, Japan and Australia.

6.2.2 UBSAHL

UBSAHL is a direct wholly-owned subsidiary of UBS AG and is a holding company for certain investments. UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued common stock to investors. UBS AG along with its subsidiaries is a client-focused financial services firm that offers a combination of wealth management, asset management and investment banking services on a global and regional basis. By delivering a full range of advice, products and services to its private, corporate and institutional clients, UBS AG aims to generate sustainable earnings, create value for its shareholders and become economically profitable in every segment, market and business in which it operates. With headquarters in Zurich and Basel, Switzerland, UBS AG is present in all major financial centres and has offices in over 50 countries. Securities in UBS AG are listed on the New York Stock Exchange and SIX Swiss Exchange. Further information on UBS AG is available at www.ubs.com.

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Information about EV and UBSAHL continued

6.3 VOTING POWER OF EV, UBSAHL AND ASSOCIATES RESULTING FROM IMPLEMENTATION OF THE MERGER PROPOSAL

If the Merger Proposal is implemented, EV, UBSAHL and their Associates will have the following voting power in JTG Shares regardless of whether or not the Post Merger Transfers are completed (by virtue of EV and UBSAHL's respective shareholdings in GVH) assuming that the Qantas Escrow Deed, the Stella Option Holder Escrow Deeds and the EV Escrow Deeds are approved by JTG Shareholders and entered into by the relevant parties:

Identity	Number of JTG Shares actually held	% of JTG Shares actually held	Voting power*	Increase in voting power
EV	118,068,377	26.9%	79%	79%
CVC Entities (excluding EV) and GVH Entities	Nil	0%	79%	79%
UBSAHL	78,812,777	17.9%	79%	79%
UBS AG	Nil	0%	79%	79%
UBS Group Entities	Nil	0%	79%	79%

Note:

* In addition to any JTG Shares which will be acquired by UBSAHL if the Merger Proposal is implemented, UBS Entities may, from time to time, acquire a relevant interest in JTG Shares in the ordinary course of carrying on business as a provider of financial services to individual, corporate and institutional clients. Accordingly, whilst the UBS Entities will have voting power in 79% of JTG Shares (assuming the Qantas Escrow Deed, the Stella Option Holder Escrow Deeds and the EV Escrow Deeds are entered into) it is possible that the voting power of the UBS Entities in respect of JTG Shares might increase if further relevant interests in JTG Shares are acquired by one or more UBS Entities through ordinary course activities following Completion. To address this issue and to ensure that the ordinary course business activities of any of the UBS Entities does not inadvertently cause a breach of the Corporations Act, JTG Shareholders will be asked to approve the UBS Entities acquiring a relevant interest and voting power in JTG which is 3% above the relevant interest that they will each acquire in connection with the Merger Proposal. If UBSAHL's relevant interest in JTG Shares increases, EV's voting power in these shares will also increase by the same amount due to the existence of the Co-ordination Deed which makes EV and UBSAHL associates in respect of JTG.

If the Merger Proposal is implemented, the Post Merger Transfers are completed and the Stella Option Holder Escrow Deeds and EV Escrow Deeds are entered into but the Qantas Escrow Deed is not entered into, each of the CVC Entities, the UBS Entities and the GVH Entities will have voting power of 50% (following an increase in voting power of 50%).

6.4 NOMINEES TO THE JTG BOARD

If JTG Shareholders approve the Resolutions and the Merger Proposal is implemented, it is intended that SGH will nominate Andrew Cummins, Adrian MacKenzie and Michael Riches to become directors of JTG. Messrs Cummins and MacKenzie are being proposed by SGH at the direction of EV and Mr Riches is being proposed by SGH at the direction of UBSAHL.

A profile of each of these nominees is contained in section 5.3.

6.5 INTENTIONS ABOUT THE FUTURE OF JTG

This section sets out the intentions of EV and UBSAHL regarding the future of JTG if JTG Shareholders approve the Resolutions and the Merger Proposal is implemented.

These statements of intentions are based on the information concerning JTG and the circumstances affecting the business of JTG that are known to EV and UBSAHL at the date of this Explanatory Memorandum. Final decisions on these matters will only be made in the light of all material facts and circumstances at the relevant time after JTG Shareholders approve the Resolutions and the merger is implemented. Accordingly, the statements set out in this section are statements of current intentions only, which may change as new information becomes available or circumstances change.

The intentions and statements of future conduct set out in this section must be read as being subject to:

- applicable law (including but not limited to the Corporations Act) and the Listing Rules;
- the legal obligation of the JTG Directors, including any nominees of SGH (being individuals ultimately proposed by EV and UBSAHL under the Co-ordination Deed) to act in good faith in the best interests of JTG and for proper purposes and to have regard to the interests of all JTG Shareholders;
- the legal obligations of JTG (and by extension its Directors), including the legal obligation to act in the best interests of JTG Shareholders; and
- the outcome of the determinations referred to in section 6.5.1.

Information about EV and UBSAHL continued

6.5.1 Continuation of business

EV and UBSAHL intend to propose that the enlarged JTG Group will continue to manage and develop its existing business and, following implementation of the merger, will operate and integrate the Stella Group businesses.

EV and UBSAHL intend to propose that management of the enlarged JTG Group, in conjunction with the JTG Board, will determine how best to further develop those businesses, expand the franchise footprint, enhance revenues and otherwise maximise the operating performance of the enlarged JTG Group, including through the combination of each of the businesses' technical and managerial skills, and product offering, for the benefit of the enlarged JTG Group and the JTG Shareholders.

6.5.2 Injections of further capital

EV and UBSAHL do not intend to propose the injection of further capital into the enlarged JTG Group.

6.5.3 Future employment of employees

Following Completion, EV and UBSAHL intend to propose to the enlarged JTG Board a review of the staffing levels of the enlarged JTG Group.

6.5.4 Transfers of property

Neither EV nor UBSAHL intend to propose any transfer of property between EV or UBSAHL and any JTG Group entity or any persons associated with any of them, other than expressly described in this Explanatory Memorandum.

6.5.5 Redeployment of fixed assets

EV and UBSAHL do not intend to propose the redeployment of fixed assets of the enlarged JTG Group.

6.5.6 Financial policies

EV and UBSAHL do not intend to propose any significant changes to JTG's existing financial policies.

6.5.7 Dividend policies

Following Completion, EV and UBSAHL intend to propose that the new JTG Board undertakes a review to determine the appropriate dividend policy for the enlarged JTG Group. The payment and amount of future dividends will depend on the earnings, financial condition, financing arrangements, financing requirements for future growth, the competitive environment and any other factors the Directors of the enlarged JTG Group consider relevant.

Investigating Accountants' Reports

7.1 KPMG TRANSACTION SERVICES INVESTIGATING ACCOUNTANT'S REPORT

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The Directors
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The Directors
Stella Group Holdings Pty Limited
Level 1
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Surfers Paradise QLD 4217

28 July 2010

Dear Directors

Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Transaction Services (Australia) Pty Limited ("KPMG Transaction Services") has been engaged by Jetset Travelworld Limited ("JTG", together with its subsidiaries the "JTG Group") and Stella Group Holdings Pty Limited ("SGH") to prepare this report for inclusion in the explanatory memorandum to be dated 28 July 2010 (the "EM"), and to be issued by JTG, in connection with the proposed merger (the "Merger") between JTG and Stella Travel Services Holdings Pty Limited ("Stella Travel", together with its subsidiaries, the "Stella Group").

Expressions defined in the EM have the same meaning in this report.

Financial information

The financial information to which this report relates is summarised below.

JTG Group financial information

The summary financial information of the JTG Group, as set out in section 9 of the EM, comprises the:

- pro forma historical income statements of the JTG Group for the year ended 30 June 2009 and the six months ended 31 December 2009 (the "JTG Group Pro Forma Historical Income Statements");

- pro forma historical balance sheet of the JTG Group as at 31 December 2009 (the "JTG Group Pro Forma Historical Balance Sheet", together with the JTG Group Pro Forma Historical Income Statements, the "JTG Group Pro Forma Historical Financial Information);

- pro forma forecast income statement of the JTG Group for the year ending 30 June 2010 (the "JTG Group Pro Forma Forecast Income Statement", together with the JTG Group Pro Forma Historical Income Statements", the "JTG Group Pro Forma Income Statements"); and

- statutory forecast income statement of the JTG Group for the year ending 30 June 2010 (the "JTG Group Statutory Forecast Income Statement", together with the JTG Group Pro Forma Forecast Income Statement, the "JTG Group Forecast Income Statements"),

(together, the "JTG Group Financial Information").

The JTG Group Pro Forma Historical Financial Information has been derived from the historical financial information of the JTG Group, extracted from the audited financial statements of the JTG Group for the year ended 30 June 2009 and the reviewed financial statements of the JTG Group for the six months ended 31 December 2009 (the "JTG Group Historical Financial Information"), after adjusting for certain transactions and/or events as described in sections 9.1.5 and 9.1.7 of the EM.

The financial statements of the JTG Group for the year ended 30 June 2009 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinion issued to the members of JTG relating to those financial statements was unqualified.

The financial statements of the JTG Group for the six months ended 31 December 2009 were reviewed by KPMG in accordance with Australian Auditing Standards applicable to review engagements. KPMG's review report issued to the members of JTG relating to those financial statements was unqualified.

The JTG Group Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

The directors of JTG are responsible for the preparation and presentation of the JTG Group Financial Information.

Enlarged JTG Group financial information

The summary financial information of the Enlarged JTG Group, as set out in section 5 of the EM, comprises the:

- pro forma historical balance sheet of the Enlarged JTG Group as at 31 December 2009 (the "Enlarged JTG Group Pro Forma Historical Balance Sheet"); and

- pro forma forecast income statement of the Enlarged JTG Group for the year ending 30 June 2010, reflecting a full year pro forma impact of the Merger as if it occurred on 1 July 2009 (the "Enlarged JTG Group Pro Forma Forecast Income Statement"),

(together, the "Enlarged JTG Group Pro Forma Financial Information").

The Enlarged JTG Group Pro Forma Financial Information has been derived from the JTG Group Financial Information and the Stella Group Financial Information, after adjusting for certain transactions and/or events described in sections 5.5.3 and 5.5.4 of the EM.

The Enlarged JTG Group Pro Forma Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

The directors of JTG and the directors of SGH are jointly responsible for the preparation and presentation of the Enlarged JTG Group Pro Forma Financial Information.

Scope

KPMG Transaction Services has been requested to prepare a report covering the following financial information:

- JTG Group Pro Forma Historical Financial Information;

- JTG Group Forecast Income Statements;

- Enlarged JTG Group Pro Forma Historical Balance Sheet; and

- Enlarged JTG Group Pro Forma Forecast Income Statement.

In respect of the JTG Group Pro Forma Historical Income Statements, JTG Group Forecast Income Statements and Enlarged JTG Group Pro Forma Forecast Income Statement, our report, including the review statements contained herein, does not pertain to the Total Transaction Volume ("TTV") information disclosed in sections 5.5.3, 9.1.3 and 9.1.4. TTV does not represent revenue in accordance with Australian Accounting Standards. Accordingly, KPMG Transaction Services does not express any opinion in relation to this information.

Review of the JTG Group Pro Forma Historical Financial Information

For the purposes of preparing this report, we have reviewed the JTG Group Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the JTG Group Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, on the basis of the pro forma adjustments resulting from certain transactions and/or events as described in sections 9.1.5 and 9.1.7 of the EM, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies adopted by JTG.

We have conducted our review in accordance with Australian Auditing Standards applicable to review engagements. We have made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- a review of the extraction of the JTG Group Historical Financial Information from the audited financial statements of the JTG Group for the year ended 30 June 2009, and from the reviewed financial statements of the JTG Group for the six months ended 31 December 2009;

- analytical procedures on the JTG Group Pro Forma Historical Financial Information;

- a review of JTG's work papers, accounting records and other documents;

- a review of the pro forma adjustments made to the JTG Group Historical Financial Information;

- a comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by JTG; and

- enquiry of JTG directors, management and others in relation to the JTG Group Pro Forma Historical Financial Information.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our review has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions other than Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Review of the JTG Group Forecast Income Statements and JTG directors' best-estimate assumptions

The JTG Group Forecast Income Statements have been prepared by the JTG directors to provide shareholders with a guide to the JTG Group's potential future financial performance based upon the achievement of certain assumptions about future events and actions that have not yet occurred and may not necessarily occur. The JTG directors' best-estimate assumptions underlying the JTG Group Forecast Income Statements are set out in section 9.1.6 of the EM.

There is a considerable degree of judgement involved in the preparation of any forecast. Consequently, the actual results of JTG during the forecast period may vary materially from the JTG Group Forecast Income Statements, and those variations may be materially positive or negative.

The risks to which the businesses of JTG are exposed are set out in section 5.7 of the EM. Shareholders should consider the JTG Group Forecast Income Statements in conjunction with the analysis in those sections.

We have reviewed the:

- JTG Forecast Income Statements, set out in section 9.1.3 of the EM; and the
- JTG directors' best-estimate assumptions underlying the JTG Group Forecast Income Statements, set out in section 9.1.6 of the EM;

in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the JTG directors' best-estimate assumptions, when taken as a whole, do not provide reasonable grounds for the preparation of the JTG Group Forecast Income Statements;
- the JTG Group Forecast Income Statements are not properly compiled on the basis of the JTG directors' best-estimate assumptions underlying the JTG Group Forecast Income Statements or prepared or presented fairly, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by JTG; and
- the JTG Group Forecast Income Statements are unreasonable.

We have conducted our review in accordance with Australian Auditing Standards applicable to review engagements. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary.

Our review of the JTG Group Forecast Income Statements and the JTG directors' best-estimate assumptions underlying the JTG Group Forecast Income Statements is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the JTG Group Forecast Income Statements or the JTG directors' best-estimate assumptions underlying the JTG Group Forecast Income Statements.

Review of the Enlarged JTG Group Pro Forma Historical Balance Sheet

For the purposes of preparing this report, we have reviewed the Enlarged JTG Group Pro Forma Historical Balance Sheet in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Enlarged JTG Group Pro Forma Historical Balance Sheet is not prepared or presented fairly, in all material respects, on the basis of the pro forma adjustments resulting from certain transactions and/or events as set out in section 5.5.4 of the EM, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies adopted by Stella Travel.

We have conducted our review in accordance with Australian Auditing Standards applicable to review engagements. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- a review of JTG's and Stella Travel's work papers, accounting records and other documents;
- enquiry of JTG and Stella Travel directors, management and others in relation to the Enlarged JTG Group Pro Forma Historical Balance Sheet;
- a review of the pro forma adjustments made to the JTG Group Pro Forma Historical Balance Sheet and the Stella Group Pro Forma Historical Balance Sheet, to derive the Enlarged JTG Group Pro Forma Balance Sheet; and
- a comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by Stella Travel.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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Review of the Enlarged JTG Group Pro Forma Forecast Income Statement

The Enlarged JTG Group Pro Forma Forecast Income Statement has been jointly prepared by the directors of JTG and the directors of SGH, reflecting the full year impact of the Merger as if it occurred on 1 July 2009, to provide shareholders with an illustration of the potential full year earnings profile of the Enlarged JTG Group.

The risks to which the Enlarged JTG Group are exposed are set out in section 5.7 of the EM. Shareholders should consider the Enlarged JTG Group Pro Forma Forecast Income Statement in conjunction with the analysis in that section.

We have reviewed the Enlarged JTG Group Pro Forma Forecast Income Statement in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the JTG directors' best-estimate assumptions set out in section 9.1.6, and the Stella Travel director's best-estimate assumptions set out in section 4.2.7, when taken as a whole, do not provide reasonable grounds for the preparation of the Enlarged JTG Group Pro Forma Forecast Income Statement;

- the Enlarged JTG Group Pro Forma Forecast Income Statement is not properly compiled on the basis of the JTG directors' best-estimate assumptions, the Stella Travel directors' best estimate assumptions and the pro forma adjustments resulting from certain transactions and/or events as set out in section 5.5.3 of the EM, or prepared or presented fairly, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by Stella Travel; and

- the Enlarged JTG Group Pro Forma Forecast Income Statement is itself unreasonable.

We have conducted our review in accordance with Australian Auditing Standards applicable to review engagements. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary.

Our review of the Enlarged JTG Group Pro Forma Forecast Income Statement is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Enlarged JTG Group Pro Forma Forecast Income Statement.

Directors' responsibilities

The directors of JTG are responsible for the preparation and presentation of:

- the JTG Group Pro Forma Historical Financial Information, including the determination of the pro forma transactions and/or adjustments; and

- the JTG Group Forecast Income Statements, including the JTG directors' best-estimate assumptions on which those forecasts are based.

The directors of SGH are responsible for the preparation and presentation of the Stella Group Financial Information.

The directors of JTG and the directors of SGH are jointly responsible for:

- the preparation and presentation of the Enlarged JTG Group Pro Forma Financial Information, including the determination of the pro forma transactions and/or adjustments; and

- the information regarding the additional risks to which the Enlarged JTG Group will be exposed as a result of the Merger as set out in section 5.7 of the EM.

The responsibilities of the directors of JTG and the directors of SGH include establishing and maintaining internal controls relevant to the preparation of the financial information in the EM that is free from material misstatement, whether due to fraud or error.

Review statements

Review statement on the JTG Group Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the JTG Group Pro Forma Historical Financial Information, as set out in sections 9.1.3, 9.1.4 and 9.1.7 of the EM, and comprising the :

- pro forma historical balance sheet of the JTG Group as at 31 December 2009; and

- pro forma historical income statements of the JTG Group for the year ended 30 June 2009 and the six months ended 31 December 2009,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma adjustments resulting from certain transactions and/or events as described in sections 9.1.5 and 9.1.7 of the EM, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies adopted by JTG.

Review statement on the JTG Group Forecast Income Statements and JTG directors' best-estimate assumptions

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the JTG directors' best-estimate assumptions, set out in section 9.1.6 of the EM, when taken as a whole, do not provide reasonable grounds for the preparation of the JTG Group Forecast Income Statements;
- the JTG Group Forecast Income Statements, set out in section 9.1.3 of the EM, are not properly compiled on the basis of the JTG directors' best-estimate assumptions or prepared or presented fairly, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by JTG; and
- the JTG Group Forecast Income Statements are unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies, often outside the control of JTG. If events do not occur as assumed, actual results achieved by JTG may vary significantly from the JTG Group Forecast Income Statements. Accordingly, we do not confirm or guarantee the achievement of the JTG Group Forecast Income Statements, as future events, by their very nature, are not capable of independent substantiation.

Review statement on the Enlarged JTG Group Pro Forma Historical Balance Sheet

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Enlarged JTG Group Pro Forma Historical Balance Sheet, as set out in section 5.5.4 of the EM, is not prepared or presented fairly, in all material respects, on the basis of the pro forma adjustments resulting from certain transactions and/or events as described in section 5.5.4 of the EM, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies adopted by Stella Travel.

Review statement on the Enlarged JTG Group Pro Forma Income Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the JTG directors' best-estimate assumptions set out in section 9.1.6, and the Stella Travel director's best-estimate assumptions set out in section 4.2.7, when taken as a whole, do not provide reasonable grounds for the preparation of the Enlarged JTG Group Pro Forma Forecast Income Statement;

- the Enlarged JTG Group Pro Forma Forecast Income Statement is not properly compiled on the basis of the JTG directors' best-estimate assumptions, the Stella Travel directors' best estimate assumptions and the pro forma adjustments resulting from certain transactions and/or events as set out in section 5.5.3 of the EM, or prepared or presented fairly, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by Stella Travel; and

- the Enlarged JTG Group Pro Forma Forecast Income Statement is itself unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies, often outside the control of the Enlarged JTG Group. Actual results achieved by the Enlarged JTG Group subsequent to the Merger may vary significantly from the Enlarged JTG Group Pro Forma Forecast Income Statement. Accordingly, we provide no representation as to the achievement in future periods of the level of earnings illustrated by the Enlarged JTG Group Pro Forma Forecast Income Statement, as future events, by their very nature, are not capable of independent substantiation.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Merger, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of JTG and from time to time, KPMG also provides JTG with certain other professional services for which normal professional fees are received.

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General advice warning

This report has been prepared, and included in the EM, to provide shareholders with general information only and does not take into account the objectives, financial situation or needs of any specific shareholder. It is not intended to take the place of professional advice and shareholders should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, a shareholder should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the EM in the form and context in which it is so included, but has not authorised the issue of the EM. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the EM.

Yours faithfully

James Seabrook
Director

KPMG

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Financial Services Guide

Dated 28 July 2010

KPMG Transaction Services (Australia) Pty Limited ABN 65 003 891 718, Australian Financial Services Licence Number 245402 (**KPMG** or **we** or **us** or **our** as appropriate) has been engaged by Jetset Travelworld Limited (**JTG**) and Stella Group Holdings Pty Limited (**SGH**) to provide an Investigating Accountant's Report (**Report**) in relation to the proposed merger between JTG and SGH (**Transaction**) for inclusion in the explanatory memorandum dated 28 July 2010 (**Document**) prepared by the JTG.

Purpose of this Guide

This Guide is designed to help retail clients to decide how to use our Report. It includes information about:

- who we are and how we can be contacted
- the services we are authorised to provide under our licence
- how we and our staff are paid
- any relevant associations or relationships we have
- how complaints are dealt with; and
- the compensation arrangements we have in place.

The Document contains information about significant benefits, risks, fees and other charges and other information about the Transaction.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding shareholder directed portfolio services)
- Securities (such as shares and debentures).

Our responsibility to you

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. You have not engaged us directly but have received a copy of the Report because of your connection to the Transaction.

We are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in our Report.

General Advice

Our report only contains general advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in our Report having regard to your circumstances before you act on our Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees we may receive

We charge fees for preparing reports. These fees will usually be agreed with, and paid by, the financial product issuer. Fees are agreed on either a fixed fee or a time cost basis. In this instance,JTG has agreed to pay us in the range of $1.1 million to $1.2 million for preparing the Report.

KPMG and its officers, employees, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the **KPMG Partnership**). Our directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have, over the past two years, provided a range of audit, tax and advisory services to JTG for which professional fees have been received. No KPMG entity has any interest in JTG or SGH.

Remuneration or other benefits received by our representatives

KPMG officers, employees and representatives receive a salary or a partnership distribution from the KPMG Partnership. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let us know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 5 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise you in writing of our response to your complaint.

External complaints resolution process

If we cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service **(FOS)** of which we are a member. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investment Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG has professional indemnity insurance cover as required by the Corporations Act.

Contact details

You may contact us using the contact details set out at the top of the letterhead on the first page of this Guide.

7.2 PRICEWATERHOUSECOOPERS SECURITIES INVESTIGATING ACCOUNTANT'S REPORT

PricewaterhouseCoopers Securities Ltd
ACN 003 311 617
ABN 54 003 311 617
Holder of Australian Financial Services Licence No 244572

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The Directors
Stella Group Holdings Pty Ltd
Level 1, 50 Cavill Avenue
Surfers Paradise, Qld 4217

The Directors
Jetset Travelworld Limited
Level 28
Australia Square Tower
264 George Street
Sydney NSW 2000

28 July 2010

Dear Directors

Subject: Investigating Accountant's Report on Historical and Forecast Financial Information and Financial Services Guide

We have prepared this report on certain historical and forecast financial information of Stella Travel Services Holdings Pty Limited (**Stella Travel**) and its subsidiaries (the **Stella Group**) for inclusion in an Explanatory Memorandum to be issued by Jetset Travelworld Limited (**JTG)** dated on or about 28 July 2010 (the **Explanatory Memorandum**) relating to its proposed merger with the Stella Group, to be conducted via the sale of Stella Travel shares to JTG by Stella Group Holdings Pty Ltd (**SGH**) (the **Transaction**).

Expressions defined in the Explanatory Memorandum have the same meaning in this report unless defined otherwise.

The nature of this report is such that it should be given by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

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Scope

SGH has requested PricewaterhouseCoopers Securities Ltd to prepare this investigating accountant's report (the **Report**) covering the following financial information of Stella Group on a stand alone basis:

Historical and forecast financial information

(i) the pro-forma consolidated historical income statements of the Stella Group for the year ended 30 June 2009, and for the six months ended 31 December 2009 set out in Sections 4.2.3, 4.2.4 and 4.2.5 of the Explanatory Memorandum.

(ii) the pro-forma consolidated historical balance sheet of Stella Group as at 31 December 2009 set out in Section 4.2.8 of the Explanatory Memorandum.

((i) and (ii) collectively the **Stella Group Historical Financial Information**)

(iii) the pro-forma consolidated forecast income statements of the Stella Group for the year ending 30 June 2010 and the six months ended 30 June 2010 set out in Sections 4.2.3, 4.2.5, 4.2.6 and 4.2.7 of the Explanatory Memorandum (the **Stella Group Forecast Financial Information**)

(the Stella Group Historical Financial Information and Stella Group Forecast Financial Information, collectively the **Stella Group Financial Information)**

This Report has been prepared for inclusion in the Explanatory Memorandum. We disclaim any assumption of responsibility for any reliance on this Report or on the Stella Group Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared.

Scope of review of the Stella Group Historical Financial Information

The pro-forma consolidated historical income statement of the Stella Group for the year ended 30 June 2009 set out in Sections 4.2.3, 4.2.4 and 4.2.5 of the Explanatory Memorandum is derived from the audited special purpose financial statements of Stella Travel Services Group Pty Limited and its subsidiaries (the **STS Group**) and the consolidation working papers that support the audited financial statements of Global Voyager Holdings Pty Limited and its subsidiaries (the **GVH Group**). The financial statements of both the GVH Group and the STS Group for the year ended 30 June 2009 were audited by PricewaterhouseCoopers, who issued an unqualified audit opinion on them. The pro-forma consolidated historical income statement of the Stella Group for the six months ended 31 December 2009 has been extracted from the unaudited accounting records of the Stella Group. The Stella Group Historical Financial Information incorporates such pro-forma adjustments (the **Pro-Forma Adjustments**) as the Directors considered necessary to present the Stella Group

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Historical Financial Information on a basis consistent with the Stella Group Forecast Financial Information. The Directors are responsible for the preparation of the Stella Group Historical Financial Information, including the determination of the Pro-Forma Adjustments.

We have conducted our review of the Stella Group Historical Financial Information in accordance with Australian Auditing Standards applicable to review engagements. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the financial performance of the Stella Group for the relevant historical period
- a review of work papers, accounting records and other documents
- a review of the Pro-Forma Adjustments made to the Stella Group Historical Financial Information
- a comparison of consistency in application of the recognition and measurement principles under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Stella Group, and
- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Stella Group Historical Financial Information.

Scope Exclusions

We have not performed any work and are not responsible for the historical or forecast financial information of JTG (the **JTG Group Financial Information**), or the combined Enlarged JTG Group pro-forma financial information (the **Enlarged JTG Group Pro-Forma Financial Information**).

Review statement on the Stella Group Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the pro-forma consolidated historical income statements of the Stella Group have not been properly prepared on the basis of the Pro-Forma Adjustments
- the Pro-Forma Adjustments do not form a reasonable basis for the pro-forma consolidated historical income statements for the Stella Group
- the Stella Group Historical Financial Information, as set out in Sections 4.2.3, 4.2.4 and 4.2.5 of the Explanatory Memorandum, does not present fairly:

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(a) the pro-forma consolidated historical income statements for the Stella Group for the year ended 30 June 2009 and for the six months ended 31 December 2009; and

(b) the pro-forma consolidated historical balance sheet of the Stella Group as at 31 December 2009

in accordance with the recognition and measurement principles prescribed under Australian Accounting Standards (with the exception of TTV) and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Stella Group.

Scope of review of the Stella Group Forecast Financial Information

The Directors are responsible for the preparation and presentation of the Stella Group Forecast Financial Information, including the best estimate assumptions (which include the Pro-Forma Adjustments) on which they are based.

Our review of the best estimate assumptions underlying the Stella Group Forecast Financial Information was conducted in accordance with Australian Auditing Standards applicable to review engagements. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures as we considered necessary to form an opinion as to whether anything has come to our attention which causes us to believe that:

(a) the best estimate assumptions set out in Section 4.2.7 of the Explanatory Memorandum do not provide a reasonable basis for the Stella Group Forecast Financial Information;

(b) in all material respects, the Stella Group Forecast Financial Information is not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of the Stella Group; or

(c) the Stella Group Forecast Financial Information is unreasonable.

The Stella Group Forecast Financial Information has been prepared by the Directors to provide investors with a guide to the Stella Group's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Stella Group Forecast Financial Information. Actual results may vary materially from the Stella Group Forecast Financial Information and the variation may be materially positive or negative. Accordingly, investors should have regard to the description of investment risks set out in Section 1.3 and 5.7 of the Explanatory Memorandum.

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Our review of the Stella Group Forecast Financial Information and the best estimate assumptions upon which the Stella Group Forecast Financial Information is based is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Stella Group Forecast Financial Information included in the Explanatory Memorandum.

Review statement on the Stella Group Forecast Financial Information

Based on our review of the Stella Group Forecast Financial Information, which is not an audit, and the reasonableness of the best estimate assumptions giving rise to the Stella Group Forecast Financial Information, nothing has come to our attention which causes us to believe that:

(a) the best estimate assumptions set out in Section 4.2.7 of the Explanatory Memorandum do not provide a reasonable basis for the preparation of the Stella Group Forecast Financial Information;

(b) in all material respects, the Stella Group Forecast Financial Information is not properly prepared on the basis of the best estimate assumptions and presented fairly, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (with the exception of TTV) and other mandatory professional reporting requirements in Australia, and the accounting policies of the Stella Group; or

(c) the Stella Group Forecast Financial Information is unreasonable.

The best estimate assumptions set out in Section 4.2.7 of the Explanatory Memorandum are subject to significant uncertainties and contingencies often outside the control of the Stella Group. If events do not occur as assumed, actual results and distributions achieved by the Stella Group may vary significantly from the Stella Group Forecast Financial Information. Accordingly, we do not confirm or guarantee the achievement of the Stella Group Forecast Financial Information, as future events, by their very nature, are not capable of independent substantiation.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary course of business of the Stella Group have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or disclosure of interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Transaction other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

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Liability

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this Report in the Explanatory Memorandum in the form and context in which it is included. The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this Report in the Explanatory Memorandum. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Explanatory Memorandum.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

Troy Porter
Authorised Representative
PricewaterhouseCoopers Securities Ltd

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Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD
FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 28 July 2010

1. **About us**

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Stella Group Holdings Pty Limited ("**SGH**") to provide a report in the form of an Investigating Accountants Report in relation to the historical and forecast financial information of Stella Travel Services Holdings Pty Limited ("**Stella Travel**") and its subsidiaries (the "**Stella Group"**) (the "**Report**") for inclusion in an Explanatory Memorandum to be issued by Jetset Travelworld Limited (**JTG)** dated on or about 28 July 2010 (the **Explanatory Memorandum**) relating to its proposed merger with the Stella Group , to be conducted via the sale of Stella Travel shares to JTG by Stella Group Holdings Pty Ltd (**SGH**) (the **Transaction**).

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. **This Financial Services Guide**

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. **Financial services we are licensed to provide**

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. **General financial product advice**

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

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5. **Fees, commissions and other benefits we may receive**

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees have been charged based on hourly rates and as at the date of this Report amount to $570,000 (excluding GST and out of pocket expenses).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. **Associations with issuers of financial products**

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of Stella.

7. **Complaints**

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. **Contact Details**

PwC Securities can be contacted by sending a letter to the following address:

Mr Troy Porter
Tower 2, Darling Park
201 Sussex Street
SYDNEY NSW 2000

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Additional Information

8.1 SUMMARY OF MERGER IMPLEMENTATION AGREEMENT

8.1.1 Sale and purchase

SGH agrees to sell, and JTG agrees to purchase, all of the shares in Stella Travel held by SGH (being 28,333,333 Stella Shares and 56,916,667 Stella Preference Shares) in consideration for the issue of the Consideration Shares (equating to 44.8% of JTG's enlarged share capital) to SGH. The sale and purchase of the Stella Shares and the Stella Preference Shares held by SGH, and the issue of the Consideration Shares to SGH, will occur on Completion.

8.1.2 Conditions

The operative provisions of the Merger Implementation Agreement relating to the purchase and issue of shares have no effect until the Treasurer either (unconditionally or on conditions that are reasonably acceptable to the parties):

- issues a notice under the FATA stating that the Commonwealth Government does not object to the acquisition of Stella Shares and Stella Preference Shares by JTG, and the issue and subsequent transfer of JTG Shares, as contemplated by the Merger Implementation Agreement; or
- the Treasurer is, by reason of lapse of time, not empowered to make an order under the FATA in relation to the abovementioned acquisition, issue and transfer.

The parties have lodged the necessary notices with FIRB to seek to satisfy this condition.

Completion must not occur unless the following conditions are fulfilled (although the parties can always agree that the ACCC clearance condition be waived):

- **JTG Shareholder approval** – Non-associated JTG Shareholders approve the Resolutions numbered 1, 3 and 9 at the General Meeting by the requisite majorities.
- **ACCC clearance** – the ACCC provides written confirmation that it will not object to the Merger Proposal either unconditionally or on conditions that are reasonably acceptable to the parties. Please refer to section 2.2 for further details.

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

- approval by JTG Shareholders of Resolutions 6 to 8 (inclusive) relating to the election of Directors (refer to section 10);
- either (i) Stella and JTG reaching a binding agreement with one or more external financiers to refinance the the Stella Debt or (ii) the grant by UBS AG of its consent to roll over the Stella Debt on terms and in a form reasonably satisfactory to both JTG and SGH and any conditions precedent to the effectiveness of the amendments to the documentation in respect of the Stella Debt as a consequence of the inclusion of JTG have been satisified;
- the execution of Separation Agreements (as summarised below in section 8.6.2);
- JTG and Qantas (through QH Tours) entering into the Qantas Escrow Deed or if the proposed resolution is not passed and if required by SGH, Qantas making an appropriate statement to the ASX to the effect that it will retain its JTG shareholding for at least the same 15 month period contemplated by the Qantas Escrow Deed;
- the approval of JTG Shareholders being obtained to allow JTG to enter into the Stella Party Escrow Deeds (or the Stella Party Escrow Deeds being entered into with the Stella Parties on terms that do not require JTG Shareholder approval);
- there being no material breach of the warranties provided by SGH and JTG under the Merger Implementation Agreement; and
- no material adverse change and no prescribed occurrence occurs in relation to the Stella Group or the JTG Group.

If a condition has not been satisfied or waived by 30 November 2010, 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 the other parties on account of the termination.

8.1.3 Completion

If all of the conditions have been satisfied, or in respect of certain conditions, no event has occurred that would prevent any of those conditions from being satisfied, or in any case, waived, then Completion is scheduled to occur on 30 September 2010.

Alternatively, if not all of the conditions have been so satisfied or waived by 30 September 2010, then Completion will occur on the last day of the month in which all of the remaining conditions are satisfied or waived on a date which is at least five clear Business Days from the end of a month, or another time agreed by the parties.

8.1.4 Post Completion transfer of the Consideration Shares

As soon as practicable (and in any event within two months) after Completion, each of the Stella Parties must take all steps to ensure that the Post Merger Transfers are completed.

8.1.5 Warranties

Prior to execution of the Merger Agreements, both JTG and Stella Travel 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. JTG 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 Agreements.

SGH has given JTG warranties in relation to title and capacity, and JTG has given EV and UBSAHL certain capacity warranties, in each case as at the date of the Merger Implementation Agreement (12 May 2010) and the Completion Date. In addition, each of SGH and JTG have given various warranties in relation to their respective group businesses as at the date of the Merger Implementation Agreement (SGH is also warranting that no pre-emptive rights will exist over shares in Stella Travel, its Subsidiaries, or members of the Stella US Group, as at the Completion Date). The warranties provided under the Merger Implementation Agreement by JTG and SGH (respectively) are subject to customary qualifications for disclosure, knowledge and reliance.

Further, SGH has given a warranty to JTG in relation to certain tax matters. This Tax Warranty is not subject to the customary qualifications for disclosure and knowledge that are applicable to the other warranties.

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 JTG or a Stella Party, unless:

- in respect of JTG and SGH's business warranties, the amount of the claim is at least $250,000, and until the aggregate of all claims exceeds $2,000,000; and
- in respect of all claims (other than with respect to JTG and SGH's title and capacity warranties):
  - the other party has given notice in respect of the claim within 15 months of the Completion Date;
  - the claim has been settled or legal proceedings have been commenced by the date that is three months from the date of that notice; and
  - in respect of any claim which has previously been barred on the basis that the 'basket' threshold of $2,000,000 (noted above) had not been reached, that claim has been settled or legal proceedings have been commenced by the date that is three months from the date on which such claim ceased to be barred.

The maximum liability of SGH and JTG is also subject to financial limitations. SGH's maximum aggregate liability is limited:

- in respect of any breach of its title and capacity warranties, to the aggregate net proceeds realised by SGH (or any other Stella Party following a Post Merger Transfer) following the sale of all the Reference Shares at the time a claim is concluded (whether by settlement, judgment or otherwise);
- in respect of the Merger Implementation Agreement (other than a breach of SGH's title and capacity warranties and the Tax Warranty), the lesser of:
  - $17,934,729; and
  - the aggregate net proceeds of the sale of all Reference Shares sold by, or on behalf of, the Stella Parties prior to the conclusion of any claims, plus the aggregate net proceeds of the sale of the Reference Shares held by, or on behalf of, the Stella Parties that must be sold in respect of any claims once they are concluded; and
- in respect of the Tax Warranty, the lesser of:
  - NZ$12,554,310; and
  - the aggregate net proceeds of the sale of all Reference Shares sold by, or on behalf of, the Stella Parties prior to the conclusion of any claims relating to the Tax Warranty, plus the aggregate net proceeds of the sale of the Reference Shares held by, or on behalf of, the Stella Parties that must be sold in respect of any claims relating to the Tax Warranty once they are concluded.

JTG's maximum liability is limited:

- in respect of any breach of its capacity warranties, to the Notional Market Value of all of the Reference Shares that are held (or that should have been held under the Merger Implementation Agreement had that breach of the relevant JTG capacity warranty, and only that breach, not occurred) by the relevant Stella Party at the time when the claim is concluded; and
- in respect of the agreement (other than a breach of JTG's capacity warranties), the lesser of:
  - $17,934,729; and
  - the aggregate net proceeds of the sale of all Reference Shares by, or on behalf of, the Stella Parties, prior to the conclusion of any claims, plus the Notional Market Value all of the Reference Shares held by, or on behalf of, the Stella Parties at the time when any claim is concluded.

SGH's obligations under the Merger Implementation Agreement are guaranteed by GVH, at the times it holds the Reference Shares, and by EV and UBSAHL at all other times.

8.2 SUMMARY OF THE STELLA MANAGEMENT ACQUISITION DEEDS

The Stella Option Holders hold all of the Stella Options, which on exercise entitle them to be issued Stella Shares. JTG has entered into the Stella Management Acquisition Deeds in order to acquire all of the Stella Shares which will be issued to the Stella Option Holders upon exercise of the Stella Options.

The Stella Management Employee Share Scheme Deed has been entered into by JTG and the Stella Option Holders who are employees of the Stella Group that hold Stella Options directly. Under that deed, JTG offers to acquire the Stella Shares to be issued to those Stella Option Holders upon the exercise of their Stella Options in consideration for the issue of JTG Shares to those Stella Option Holders under ASIC Class Order 03/184, and the terms of an employee share plan set out in the deed.

The Stella Management Excluded Share Offer Deed has been entered into by JTG and the Stella Option Holders which are companies or trustees of a trust affiliated with employees of the Stella Group. Under this deed, JTG makes a similar offer to acquire the Stella Shares to be issued to those Stella Option Holders upon the exercise of their Stella Options in consideration for the issue of JTG Shares to those Stella Option Holders. However, JTG is not relying on ASIC Class Order 03/184 in respect of this offer on the basis that the circumstances applicable to these Stella Option Holders (as distinct from those Stella Option Holders party to the Stella Management Employee Share Scheme Deed) are such that the offer of JTG Shares is exempt from the disclosure requirements of Part 6D of the Corporations Act.

Under both deeds, the Stella Option Holders have agreed to ensure that their Stella Options are exercised so that they are issued Stella Shares on the day before Completion. Completion of JTG's acquisition of the Stella Shares held by Stella Option Holders and the issue of JTG Shares to the Stella Option Holders is conditional on:

- all the conditions set out in the Merger Implementation Agreement being satisfied or waived; and
- JTG becoming the registered holder of all the issued share capital of Stella Travel (other than those Stella Shares that will be held by the Stella Option Holders),

and will occur immediately following the satisfaction of the condition noted in the second bullet point above.

JTG and the Stella Option Holders have given warranties to each other under the Stella Management Acquisition Deeds, which are substantively the same in subject matter as the warranties given by JTG and SGH under the Merger Implementation Agreement.

8.3 SUMMARY OF THE ESCROW DEEDS

As part of the Merger Proposal, JTG has agreed to enter into escrow deeds with each of:

- the Stella Parties; and
- the Stella Option Holders,

in relation to the JTG Shares that these parties hold, or will hold, following Completion. These escrow arrangements are described below in section 8.3.1

Separately, the Stella Parties insisted that it be a condition precedent under the Merger Implementation Agreement that Qantas (through QH Tours) executes a voluntary escrow deed with JTG in respect of the JTG Shares that it holds. This is described below in section 8.3.3.

8.3.1 Stella Party Escrow Deed and Stella Option Holder Escrow Deeds

Introduction

JTG negotiated the requirement that appropriate escrow restrictions relating to JTG Shares held by the Stella Parties and the Stella Option Holders be put in place to provide JTG with security should it need to bring a claim under the Merger Agreements, by designing them to restrict the Stella Parties and the Stella Option Holders from selling an agreed number of JTG Shares during the agreed 15 months "claims period" and requiring them to sell an appropriate number of their JTG Shares to fund any successful claims brought by JTG under the Merger Agreements. The reason JTG insisted on these arrangements being put in place was because the only assets held by the various Stella Parties and the Stella Option Holders of any material value which could be realised to fund any claim brought by JTG under the Merger Agreements (including for a breach of warranty) are likely to be the JTG Shares to be issued to them on Completion. Your JTG Directors considered that the only effective way to manage this risk for JTG's benefit was to require the Stella Parties to enter into the Stella Party Escrow Deeds and the Stella Option Holders to enter into the Stella Option Holder Escrow Deeds.

Under the Corporations Act, JTG acquires a relevant interest in any shares subject to an escrow agreement under which JTG can restrict the disposal of those shares. The fact that JTG acquires a relevant interest in such escrow shares is merely technical given that the Stella Party Escrow Deeds and the Stella Option Holder Escrow Deeds are being entered into for the benefit of JTG and all of JTG Shareholders, and they do not permit JTG to acquire control of itself. Due to the size of Qantas' (through QH Tours) existing shareholding in JTG (which is 58%), JTG currently has a relevant interest in 58% of its own shares. After Completion, Qantas' (through QH Tours) shareholding in JTG will be diluted to 29%, meaning that JTG could acquire a relevant interest in other JTG Shares in the six month period immediately following Completion provided doing so does not cause it to increase its relevant interest beyond 61% (that is, by more than 3% above its current level). It is possible that the various escrow arrangements contemplated by the Merger Proposal could be implemented without this result, but that will only be able to be determined at the time of Completion. The reason for this is that the number of JTG Shares held by the Stella Parties that will be the subject of the Stella Party Escrow Deeds is to be determined by a formula that depends on both JTG's then share price and the Australian dollar/British pound exchange rate. Because these variables are beyond JTG's control, JTG considers it prudent to seek the approval of JTG Shareholders to the various escrow arrangements. Subject to these variables beyond its control, JTG may be able lawfully to enter into the Stella Party Escrow Deeds without the approval of JTG Shareholders and to satisfy the relevant condition precedent under the Merger Implementation Agreement. Whilst these alternative escrow arrangements may also benefit JTG they are unlikely to provide JTG with the same level of security against potential claims it may have under the Merger Implementation Agreement if JTG Shareholder approval is obtained. The Stella Option Holder Escrow Deeds are the subject of Resolution 3 and the Stella Party Escrow Deeds are the subject of Resolution 4.

General restrictions

Under each of these deeds, the relevant JTG Shareholder undertakes in favour of JTG not to dispose of or create an encumbrance over, an agreed number of JTG Shares, or agree or offer to do those things, for a period of 15 months from Completion (or potentially longer in the case of the Stella Parties if JTG brings a claim against a Stella Party), except that JTG Shares may be disposed of pursuant to:

- an offer made under a takeover bid for 100% of the share capital of JTG, which has been accepted by holders of at least 50% of the JTG Shares then on issue and not subject to escrow, provided that the offer is not made by:
  - in the case of the Stella Party Escrow Deeds, any person that has entered into one of the Merger Agreements, or any of their Associates; and
  - in the case of the Stella Option Holder Escrow Deeds, any Stella Option Holders or their Associates;
- a merger by way of scheme of arrangement under Part 5.1 of the Corporations Act provided that the scheme of arrangement is in respect of 100% of the share capital of JTG;
- the sale of JTG Shares necessary to fund any liability in respect of a claim relating to a breach of the relevant Merger Agreement; and
- in the case of Stella Option Holder Escrow Deeds, the sale of JTG Shares necessary to fund any New Zealand tax liability which has been assessed as being incurred by the relevant Stella Option Holder arising from the conversion of Stella Options into Stella Shares.

Additional rights and restrictions for Stella Parties

The following additional rights and restrictions apply to the Stella Parties under the escrow deeds that they have agreed to enter into with JTG:

- in addition to any disposal pursuant to a takeover bid or scheme of arrangement, UBSAHL may also dispose of, prior to the end of the 15 month period, the number of JTG Shares necessary for it and its Associates to comply with the *United States Bank Holding Company Act of 1956*;
- a disposal of JTG Shares prior to the end of the 15 month escrow period is only permitted in respect of a takeover bid, scheme of arrangement or compliance with the US Bank Holding Company Act if assets are deposited into escrow, or a written undertaking (e.g. letter of credit) is provided by UBS AG or any other institution that is acceptable to JTG (acting reasonably) in favour of JTG, in an amount equivalent in value to the JTG Shares being disposed of;
- if JTG brings a claim against a Stella Party in respect of the Merger Implementation Agreement during that 15 month escrow period, the escrow restrictions will continue to apply from the Initial Release Date to the number of JTG Shares:
  - that have a Market Value equal to 150% of the Outstanding Claims Value; or
  - if the Market Value of all of the JTG Shares of the Stella Party is less than the Outstanding Claims Value, all of the JTG Shares of the Stella Party,

  until such time as the relevant JTG Shares are subsequently released from the escrow restrictions following the conclusion of any claims that were outstanding at the Initial Release Date; and
- following the Initial Release Date, the relevant Stella Party may alternatively opt to:
  - have UBS AG or any other institution that is acceptable to JTG (acting reasonably) provide a written undertaking to JTG that it will pay to JTG an amount greater than or equal to the aggregate value (as confirmed or amended by Senior Counsel) of all outstanding claims, on terms and conditions acceptable to JTG (acting reasonably), in the event that such claims are concluded and liability is owing to JTG; or
  - deposit into a bank account nominated by JTG and subject to an escrow agreement to be agreed between the parties an amount of funds greater than or equal to the aggregate value (as confirmed or amended by Senior Counsel) of all outstanding claims.

8.3.2 Stella Party Escrow Shares Formula

The agreed number of JTG Shares over which the escrow arrangements described above will operate is as follows:

- for the Stella Parties, that number of JTG Shares determined by the Stella Party Escrow Shares Formula, which can be mathematically represented as follows:

  $$NES = 196{,}881{,}154 - X$$

  where:

  NES is the number of JTG Shares that will be escrowed under the Stella Party Escrow Deeds, and

  X is that number of JTG shares that are worth £50 million on the day prior to Completion; and
- for the Stella Option Holders, all of the JTG Shares that are to be issued to them.

The tables below shows how many JTG Shares will be escrowed under the Stella Party Escrow Deeds based on different GBP/AUD exchange rates and JTG Share prices.

Number of JTG shares to be escrowed under the Stella Party Escrow Deeds

		GBP / AUD Exchange Rate						
		1.45	1.60	1.71[3]	1.80	1.90	2.00	2.15
JTG Share price	$0.50	51,881,154	36,881,154	25,881,154	16,881,154	6,881,154	Nil	Nil
	$0.70	93,309,725	82,595,440	74,738,297	68,309,725	61,166,868	54,024,011	43,309,725
	$0.80[4]	106,256,154	96,881,154	90,006,154	84,381,154	78,131,154	71,881,154	62,506,154
	$0.90	116,325,598	107,992,265	101,881,154	96,881,154	91,325,598	85,770,043	77,436,710
	$1.00	124,381,154	116,881,154	111,381,154	106,881,154	101,881,154	96,881,154	89,381,154
	$1.20	136,464,487	130,214,487	125,631,154	121,881,154	117,714,487	113,547,821	107,297,821

Percentage of total JTG share capital to be escrowed under the Stella Party Escrow Deeds

		GBP / AUD Exchange Rate						
		1.45	1.60	1.71	1.80	1.90	2.00	2.15
JTG Share price	$0.50	11.8%	8.4%	5.9%	3.8%	1.6%	0%	0%
	$0.70	21.2%	18.8%	17.0%	15.6%	13.9%	12.3%	9.9%
	$0.80	24.2%	22.1%	20.5%	19.2%	17.8%	16.4%	14.2%
	$0.90	26.5%	24.6%	23.2%	22.1%	20.8%	19.5%	17.6%
	$1.00	28.3%	26.6%	25.4%	24.3%	23.2%	22.1%	20.4%
	$1.20	31.1%	29.6%	28.6%	27.8%	26.8%	25.9%	24.4%

8.3.3 Qantas Escrow Deed

Introduction

As noted above, JTG negotiated the requirement that appropriate escrow restrictions relating to JTG Shares held by the Stella Parties and the Stella Option Holders be put in place to provide JTG with security should it need to bring a claim under the Merger Agreements. In return, the Stella Parties insisted that the Merger Proposal be conditional on Qantas (through QH Tours) entering into a voluntary escrow deed (in the common form) for the same 15 month period as would apply to the Stella Parties or if the proposed resolution is not passed and if required by SGH, Qantas making an appropriate statement to the ASX to the effect that it will retain its JTG shareholding for that same 15 month period. Your Directors understand that the Stella Parties required this condition to be included in the Merger Implementation Agreement so that the Stella Parties were not exposed to the risk of a sell-down by a 29% shareholder post Completion. JTG resisted the inclusion of this condition (being one outside of its control) but had to agree to its inclusion to secure the agreement of the Stella Parties and the potential benefits your Directors consider will accrue to JTG and the JTG Shareholders as a result of the Merger Proposal. This condition can be waived by the Stella Parties.

Accordingly, and for reasons noted above in section 8.3.1, JTG considers it prudent to seek the approval of JTG Shareholders to the various escrow arrangements. The Qantas Escrow Deed is the subject of Resolution 2.

Summary of terms of the Qantas Escrow Deed

Under this voluntary escrow deed, QH Tours would undertake in favour of JTG not to dispose of or create an encumbrance over, any JTG Shares held by it, or agree or offer to do those things, for a period of 15 months from Completion except that JTG Shares may be disposed of pursuant to:

- an offer made under a takeover bid for 100% of the share capital of JTG, which has been accepted by holders of at least 50% of the JTG Shares then on issue and not subject to escrow, provided that the offer is not made by QH Tours or any of its Associates; or

3 The GBP/AUD exchange rate according to online source http://www.xe.com/ was 1.71004 as at 3:30pm (UTC) 22 July 2010.
4 The JTG Share price as at close of trading on 22 July 2010 was $0.80.

- a merger by way of scheme of arrangement under Part 5.1 of the Corporations Act provided that the scheme of arrangement is in respect of 100% of the share capital of JTG.

8.3.4 Potential disadvantage to escrow arrangements

Notwithstanding that the JTG Directors consider that the escrow arrangements are in the best interests of JTG Shareholders and the JTG Directors' recommend that JTG Shareholders vote in favour of all the Resolutions (including Resolutions 3 and 4), the JTG Directors note that the escrow arrangements could be regarded as having a potential defensive effect on the market for control of JTG Shares. The JTG Directors consider that the benefits of the Merger Proposal (including the security that the Stella Party Escrow Deeds and the Stella Option Holder Escrow Deeds provide for any potential claims JTG may bring under the Merger Agreements) outweighs this potential disadvantage.

8.3.5 No other material information

The Independent Expert's Report does not specifically opine on the escrow arrangements described in this section 8.3 on the basis that the Independent Expert has opined on the Merger Proposal more generally, which necessarily involves an assessment of all relevant aspects of the Merger Proposal including any known arrangements that are to be implemented as a condition of the Merger Proposal. For this reason, the JTG Directors consider that this Explanatory Memorandum has disclosed all material information on how to vote on Resolutions 2, 3 and 4 even though the Independent Expert's Report does not specifically opine on the escrow arrangements.

8.4 SUMMARY OF EV ESCROW DEED

Prior to Completion EV proposes to enter an 'EV Escrow Deed' in relation to the JTG Shares that each Stella Option Holder will hold following Completion with each Stella Option Holder (and, if the Stella Option Holder is a company or a trustee of a trust, a Stella Group employee affiliated with that entity).

Stella Option Holders currently hold their Stella Options subject to transfer restrictions which in broad terms ensure that those options cannot be transferred unless part of a sale or other exit by SGH of its investment in the Stella Group for cash proceeds. These restrictions were adopted with a view to ensuring that Stella Option Holders were incentivised to remain employed with the Stella Group for the duration of EV's investment in the Stella Group. The reason for Stella Option Holders entering a separate escrow arrangement with EV is to retain this incentive for Stella Option Holders to remain employed with the enlarged JTG Group for the period that EV retains a substantial investment in JTG Shares following Completion.

Accordingly, under the EV Escrow Deed, Stella Option Holders undertake in favour of EV not to transfer or encumber the JTG Shares acquired pursuant to the Stella Management Acquisition Deeds subject to exceptions that are similar to those that currently apply to the Stella Options. This transfer restriction under the EV Escrow Deed continues to apply until the Stella Option Holder's JTG Shares are released from escrow in the following circumstances:

- An offer by a person to acquire JTG Shares from all JTG Shareholders under a takeover bid or scheme of arrangement under the Corporations Act or a buy back approved in accordance with the Corporations Act becoming unconditional.
- As part of a sell down by EV under a prospectus or similar document or JTG Shareholders approving a sale by EV of some or all of its JTG Shares under item 7 of section 611 of the Corporations Act on the understanding that, in either of these events, the Stella Option Holder may not be able to dispose of all its JTG Shares (in which case the transfer restrictions will remain in place for a further six months). However, Stella Option Holders will be permitted to dispose of at least the number of JTG Shares that represents the greater of:
  - 25% of the JTG Shares that remain escrowed at that time; and
  - the original subscription value of the Stella Options that were converted into the JTG Shares that remain escrowed at that time,

  or, in the case of an EV sell down under a prospectus or similar document, such greater portion of the escrowed JTG Shares that any joint lead manager or underwriter or equivalent adviser to the sell down advises may be sold without reducing EV's likely sell-down price or the expected number of applications for shares offered under the sell down.
- EV ceasing to hold a relevant interest in at least 10% of the total issued share capital of JTG.
- The Stella Option Holder (or, if the Stella Option Holder is a company or trustee of a trust, the employee affiliated with that entity) ceasing to be employed by the JTG Group, subject to provisions potentially requiring the

compulsory sale of JTG Shares held by an employee that is determined to be a 'bad leaver' and capping the sale proceeds payable to the employee at the lesser of the net proceeds of sale and the original subscription value of the Stella Options that were converted into the JTG Shares that were sold.
- The sale of JTG Shares necessary to fund any liability in respect of a claim relating to a breach of the Stella Management Acquisition Deeds.
- The sale of JTG Shares necessary to fund any New Zealand tax liability which has been assessed as being incurred by the relevant Stella Option Holder arising from the conversion of Stella Options into Stella Shares.

8.5 SUMMARY OF THE CO-ORDINATION DEED

EV, UBSAHL and GVH have entered into a Co-ordination Deed which will govern, amongst other matters, the rights and obligations of EV and UBSAHL with respect to their shareholding in JTG post Completion if the Merger Proposal is implemented. The key terms of the Co-ordination Deed are as follows:

- Each of EV and UBSAHL must hold and deal with the JTG Shares held by it in escrow in accordance with its Stella Party Escrow Deed (described in section 8.3 above).
- EV and UBSAHL have also agreed to apply an amount of the JTG Shares towards collateralising certain commercial obligations in their remaining businesses. Under the Co-ordination Deed, EV and UBSAHL have agreed that these restrictions will remain in place until the earlier of 31 March 2013 and the date on which these shares are no longer required to collateralise the relevant obligations.
- EV and UBSAHL each undertake, during the Holding Period, not to dispose of any Non Committed Shares without the prior written consent of the other. EV can, at its sole discretion, shorten or lengthen the Holding Period.
- EV and UBSAHL may dispose of their Non Committed Shares to their respective affiliates at any time provided that the affiliate enters into a deed poll agreeing to be bound by the terms of the Co-ordination Deed as if they were a party thereto.
- If either EV or UBSAHL intends to sell any or all of the Non Committed Shares held by it to a third party buyer (other than by way of a market sell-down), then the seller grants the other shareholder party the right to tag with the sale.
- If either of EV or UBSAHL intends to conduct a market sell-down of its Non Committed Shares then it grants the other shareholder party the right to participate in such market sell-down.
- In relation to voting as shareholders, EV and UBSAHL agree not to vote in favour of, or against, any JTG shareholder resolution proposing any of the JTG Reserved Matters (as defined below) unless both EV and UBSAHL agree to do so in writing. If both EV and UBSAHL do so agree then they must vote all of their JTG Shares in favour of, or against (as applicable) such resolution. If no such agreement is reached then each of the shareholder parties must abstain from voting on the relevant resolution.
- In relation to the actions of the SGH nominees to the JTG Board (which are to be nominees of EV and UBSAHL respectively, in accordance with an agreement reached between those parties), subject always to the legal obligations and duties of those nominees as directors (including fiduciary duties) EV and UBSAHL agree that each SGH nominee director of JTG may only vote in favour of, or against, a JTG Board resolution proposing any of the JTG Reserved Matters if each of EV and UBSAHL agrees that they should do so. If no agreement is reached then the SGH nominee directors must abstain from voting.
- The JTG Reserved Matters are defined as:
  - any acquisition or disposal of any asset(s) (whether tangible or intangible) with a value greater than $5,000,000 (in aggregate), by any member of the JTG Group;
  - the appointment of an administrator or receiver to any member of the JTG Group (subject to bona fide insolvency belief);
  - the declaration, undertaking or payment of any dividend or other distribution of any kind by any member of the JTG Group in respect of shares in that member of the JTG Group;
  - the issuance of securities which represent (or may convert into or be exchanged for) in excess of 5% of JTG's then current issued share capital;
  - any member of the JTG Group:
    - entering into any borrowings or accepting any financial accommodation exceeding $5,000,000 in aggregate in any financial year; or
    - entering into any financing or operating leases with an annual expense exceeding $5,000,000 in aggregate in any financial year;

  - any takeover bid or scheme of arrangement pursuant to which a person seeks to acquire all or part of the JTG Shares; and
  - any member of the JTG Group entering into any related party transaction.
- Neither of EV or UBSAHL nor their respective affiliates shall, from the Completion Date until six months after the Completion Date, acquire any relevant interest in JTG Shares in excess of the relevant interest approved by the JTG shareholders under the Merger Implementation Agreement. Following this point in time, neither shareholder party shall acquire a relevant interest in JTG which would result in the acquiring party having voting power of 1.5% higher than it had six months prior to the Completion Date or without the prior written consent of the other shareholder party.
- The Co-ordination Deed will terminate on the earlier of:
  - either party ceasing to hold at least 5% of the share capital of JTG; and
  - 48 months from the Completion Date.

8.6 CHANGES TO KEY AGREEMENTS BETWEEN JTG AND THE QANTAS GROUP IF THE MERGER PROPOSAL PROCEEDS

8.6.1 Anti-dilution Termination Deed

Under this deed, QH Tours has agreed:

- to waive its entitlement to be offered JTG Shares and its rights to consent to the appointment of the CEO and CFO of JTG, which would otherwise arise under an Anti-dilution Deed dated 25 July 2008 as a result of the Merger Proposal; and
- that the abovementioned Anti-dilution Deed will be terminated subject to, and on, Completion.

8.6.2 Separation Agreements

On 12 May 2010, under the terms of an umbrella agreement between JTG, Qantas and Stella Travel, JTG and Qantas agreed a series of term sheets setting out their relationship, post Completion, in respect of several key commercial and operational areas. It is a condition of the Merger Implementation Agreement that formal agreements be entered into by JTG and Qantas, or in some instances between certain members of the Qantas Group, on terms that reflect the agreed term sheets and which are otherwise acceptable to SGH. Further, in the event a formal agreement is not entered into by Completion, the corresponding agreed term sheet will be legally binding as from Completion pending finalisation of the formal agreement (and certain term sheets provide for binding commitments pre-Completion).

A summary of the formal agreements which are intended to be entered into (and which reflect the terms of the agreed term sheets) is set out below.

Shared services agreement

This agreement sets out the various services (such as accounts receivable, payroll, staff travel benefits, ID services and workers compensation cover) which Qantas and/or its third party suppliers currently provide to the JTG Group for the benefit of Qantas Holidays and QBT and the terms (including cost and duration) upon which each of those services will continue to be provided to the JTG Group.

National sales agency agreement

This agreement sets out the basis upon which JTG will promote Qantas and QantasLink travel products in return for Qantas providing financial benefits and marketing support to the JTG Group based on the achievement of certain volumes and/or performance standards.

IT services agreement

This agreement contains a description of each of the IT services (such as PCs, desktop support, telephone, software and maintenance) which Qantas, via its third party suppliers, currently provides to the JTG Group and the terms upon which each of those services will continue to be provided to the JTG Group post Completion.

Labour recharge agreement

This agreement sets out the basis upon which certain Qantas employees will be made available by Qantas to the JTG Group for the performance of operational, financial, marketing and other roles within the businesses of QBT and Qantas Holidays post Completion. The agreement provides the terms and conditions upon which the Qantas employees will be made available to the JTG Group including in relation to performance management, remuneration and superannuation.

Variation to intellectual property agreements

This agreement provides for the variation of two existing trade mark licence agreements between (i) Qantas and Qantas Holidays; and (ii) Qantas and QBT, to the effect that the term of the trade mark licence will be extended and certain terms upon which the licences may be terminated, or terms on which renewal may occur, will be amended.

Variation to qantas.com agreement

This agreement provides for the variation of the existing commercial agreements between (i) Qantas and Qantas Holidays; and (ii) Qantas and QBT, which deal with the use of Qantas Holidays and QBT content on qantas.com. The key variations include the amendment of the duration of each commercial agreement and the operational provisions of such commercial agreements so as to reflect the way in which content is currently provided by Qantas Holidays and QBT. The term sheet also sets out the basis for ongoing negotiations between Qantas and the JTG Group in respect of a new commercial agreement for qantas.com which will replace the existing commercial arrangement.

Service credit

As part of the separation arrangement, Qantas has, subject to Completion, agreed to provide a credit of up to $3.7m to JTG to be applied against services to provided by Qantas. This credit is to be paid in equal monthly instalments in the period from Completion to 30 June 2011.

8.6.3 Superannuation deed

This deed sets out the superannuation arrangements that will apply to employees of Qantas Holidays that are also members of the Qantas Superannuation Plan. Under this deed, Qantas Holidays will continue to participate in the Qantas Superannuation Plan in relation to those employees until its participation is terminated. From that time (which must occur within nine months of Completion), Qantas Holidays must provide superannuation benefits to those employees on terms no less favourable than the benefits currently provided to them under the Qantas Superannuation Plan.

8.6.4 Qantas Frequent Flyer Agreement

Qantas and Qantas Holidays are party to the Qantas Frequent Flyer Program Participating (Retail) Agreement. Qantas has agreed to waive any rights that it may have to terminate this agreement which arise solely from Completion under the Merger Implementation Agreement, subject to Qantas Holidays and certain of its related bodies corporate undertaking to Qantas to keep certain information in the agreement confidential.

8.7 RESOLUTIONS 1 TO 5 – APPROVAL OF THE MERGER PROPOSAL, THE ESCROW DEEDS AND THE BUFFER SHARES

8.7.1 Approval sought from JTG Shareholders

Resolution 1 seeks the approval of JTG Shareholders to the allotment and issue by JTG of the Consideration Shares (comprising 196,881,154 JTG Shares, representing 44.8% of JTG's enlarged issued share capital) to SGH, the subsequent transfer of the Consideration Shares from SGH to GVH and the subsequent transfer, by GVH, of the EV Shares to EV and the UBS Shares to UBSAHL (and the resulting acquisition by each of the CVC Entities, the UBS Entities and the GVH Entities of relevant interests in the Consideration Shares) for the purposes of item 7 of section 611 of the Corporations Act.

Resolution 2 seeks the approval of JTG Shareholders to the acquisition by the EV Controlling Entities, the GVH Entities, the UBSAHL Controlling Entities and JTG of a relevant interest in 127,340,726 JTG Shares (or 29% of JTG's enlarged issued share capital) under the Qantas Escrow Deed for the purposes of item 7 of section 611 of the Corporations Act. See section 8.3.3 for background to this Resolution.

Resolution 3 seeks the approval of JTG Shareholders to the acquisition by the CVC Entities, the GVH Entities, the UBSAHL Controlling Entities, the Qantas Controlling Entities and JTG of a relevant interest in 22,671,824 JTG Shares (or 5.2% of JTG's enlarged issued share capital) under the Stella Option Holder Escrow Deeds and the EV Escrow Deeds for the purposes of item 7 of section 611 of the Corporations Act. See section 8.3.1 for background to this Resolution.

Resolution 4 seeks the approval of JTG Shareholders to the acquisition by JTG and the Qantas Controlling Entities of a relevant interest in respect of the number of JTG Shares that arises under the Stella Party Escrow Shares Formula, being the maximum number of JTG Shares that will be the subject of the Stella Party Escrow Deeds for the purposes of item 7 of section 611 of the Corporations Act. See section 8.3.1 for background to this Resolution.

Additional Information continued

Resolution 5 seeks the approval of JTG Shareholders for the acquisition by the UBS Entities of a relevant interest in up to an additional 13,173,178 JTG Shares (or 3% of JTG's enlarged issued share capital). This approval is sought at the request of UBS AG because, as a financial services firm, the conduct by UBS Entities of their day-to-day business could result in them acquiring a relevant interest in JTG Shares. Approval in respect of the Buffer Shares is required to help UBS Entities ensure that the conduct of their business in the ordinary course during the six months following Completion does not inadvertently result in a breach of the Corporations Act.

Accordingly, assuming each of the resolutions outlined above is passed, approval will be obtained for:

- each of the CVC Group Entities acquiring a relevant interest in 219,552,978 Shares (equating to 50% of JTG's enlarged issued share capital) from their current level of nil;
- each of the EV Controlling Entities and the GVH Entities acquiring a relevant interest in 346,893,704 JTG Shares (equating to 79% of JTG's enlarged issued share capital) from their current level of nil;
- each of the UBSAHL Controlling Entities acquiring a relevant interest in 360,066,882 JTG Shares (equating to 82% of JTG's enlarged issued share capital) from their current level of nil;
- each of the UBS Group Entities acquiring a relevant interest in 210,054,332 JTG Shares (equating to 47.8% of JTG's enlarged share capital) from their current level of nil; and
- JTG and each of the Qantas Controlling Entities acquiring a relevant interest in 150,012,550 JTG Shares and such number of JTG Shares that is determined by the Stella Party Escrow Shares Formula from their current (pre-Completion) level of 58%.

The JTG Directors note that while Qantas (through QH Tours) can vote on Resolutions 1 and 5, it is not permitted to vote on Resolutions 2 to 4 (inclusive). The JTG Directors strongly recommend that JTG Shareholders vote in favour of all of these Resolutions if they wish the Merger Proposal to be implemented.

8.7.2 Overview of legal requirements concerning Resolutions 1 to 5

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.

It does not matter how remote the relevant interest is, or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power. Under section 608(3) of the Corporations Act, a person with voting power above 20% in a body corporate or control of the body corporate is taken to have a relevant interest in any securities in which that body corporate has a relevant interest.

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.

Additional Information continued

Buffer Shares

It is not currently envisaged that UBSAHL will directly acquire additional JTG Shares following Completion. However, a 'relevant interest' in shares can be acquired in a number of ways, many of which do not require the shares themselves to be acquired. The UBS Entities comprise a diversified financial services firm and many of their respective ordinary course business activities, whether through proprietary trading or client trading, may give rise to the UBS Entities acquiring a relevant interest in JTG Shares over and above the Consideration Shares in which the UBS Entities will acquire a relevant interest in connection with the Merger Proposal. Those activities would include, without limitation, UBS Entities undertaking activities such as providing fund management services (in respect of a portfolio that includes JTG Shares), acting as an investment or asset manager, securities lending, developing and marketing structured products and providing prime broking services, as well as proprietary trading. Each of these activities could result in a UBS Entity acquiring a relevant interest in JTG Shares.

If JTG Shareholder approval is not obtained, the UBS Entities would eventually be entitled to acquire a relevant interest in further JTG Shares under the 3% creep provisions of the Corporations Act (item 9 of section 611 of the Corporations Act), but they would not be able to rely on that exception for six months following Completion. This means that if JTG Shareholders do not approve Resolution 5, the conduct by the UBS Entities of business in the ordinary course during the period of six months following Completion could put the relevant UBS Entity in breach of the Corporations Act.

Accordingly, approval is sought for the purposes of Item 7 of section 611 of the Corporations Act, to enable the UBS Entities in aggregate to acquire a relevant interest in up to 13,173,178 JTG Shares (i.e. all of the Buffer Shares) in the six months following Completion. However, because the UBS Entities do not know which transactions with which parties are likely to give rise to a relevant interest in the Buffer Shares, they are unable to satisfy the disclosure requirements prescribed by item 7 of section 611 of the Corporations Act for the purposes of the proposed JTG Shareholder approval.

It has therefore been necessary to seek, and obtain, a modification from ASIC, amending those disclosure requirements for the purposes of Resolution 5. Those modifications mean that it is not necessary to disclose the identity of the person from whom the relevant interest is to be acquired, where the identity of that person is not known at the time Resolution 5 is voted on by JTG Shareholders. It also means that it is sufficient to describe the maximum voting power which may arise as a result of a particular acquisition, rather than the actual voting power (given this will not be known at the time the approval is sought). ASIC's approval of the requested modifications permits a UBS Entity to acquire a relevant interest in the Buffer Shares where that UBS Entity makes an acquisition on behalf of, or for the benefit of, a third party (including on behalf of external investors, unitholders, policyholders or beneficiaries of funds), managed investment schemes and trusts where:

- the UBS Entity making the acquisition is obliged to act in the interests of that third party;
- the acquisition is made in the ordinary course of the UBS Entity's financial services business;
- as a result of the acquisition, no UBS Entity, or related body corporate of a UBS Entity, will have a beneficial interest in the JTG Shares the subject of the acquisition (other than in its capacity as trustee, responsible entity, life company, investment manager or similar); and
- the acquisition is made as a result of an on-market transaction or as a result of the UBS Entity entering into an agreement to provide investment management services.

If a relevant interest in Buffer Shares is acquired by a UBS Entity, UBS AG and each of the other UBS Entities will acquire a relevant interest in those Buffer Shares and all of the UBS Entities and EV would acquire voting power in respect of those Buffer Shares.

Analysis of relevant interests and voting power

As at the date of this Explanatory Memorandum (i) none of the GVH Entities, the CVC Entities or the UBS Entities have a relevant interest or voting power in any JTG Shares; and (ii) the Qantas Entities and JTG have a relevant interest in 127,340,726 JTG Shares (being 58% of JTG's issued share capital).

The key steps of the Merger Proposal that need to be approved by JTG Shareholders under Resolutions 1 to 4 (inclusive) are set out below. It is proposed that all of these steps will take place at the same time.

- **Step 1 – Issue of JTG Shares to SGH and Post Merger Transfers:** the Merger Implementation Agreement contemplates (i) the allotment and issue of the Consideration Shares by JTG to SGH; (ii) the proposed transfer of the Consideration Shares from SGH to GVH; and (iii) the proposed transfer by GVH of (A) the EV Shares, representing 26.9% of JTG's enlarged issued share capital, to EV and (B) the UBS Shares, representing 17.9% of JTG's enlarged issued share capital, to UBSAHL;

- **Step 2 – Acquisition of relevant interests in Qantas Escrow Shares:** upon execution of the Qantas Escrow Deed, the EV Controlling Entities, the GVH Entities,[5] the UBSAHL Controlling Entities and JTG will obtain a relevant interest in 127,340,726 JTG Shares (or 29% of JTG's enlarged issued share capital);
- **Step 3 – Acquisition of relevant interests in Stella Option Holder Escrow Shares:** upon the issue of the Option Holder Shares to the Stella Option Holders under the Stella Management Acquisition Deeds and the execution of the Stella Option Holder Escrow Deeds and the EV Escrow Deeds, the CVC Entities, the GVH Entities, the UBSAHL Controlling Entities, JTG and the Qantas Controlling Entities will obtain a relevant interest in the Stella Option Holder Escrow Shares; and
- **Step 4 – Acquisition of relevant interests in Stella Party Escrow Shares:** upon the issue of the Consideration Shares to SGH under the Merger Implementation Agreement and execution of the Stella Party Escrow Deeds, JTG and the Qantas Controlling Entities will acquire an additional relevant interest in such number of JTG Shares that is determined by the Stella Party Escrow Shares Formula.

The following transactions are contemplated as a potential additional step.

- **Step 5 – Acquisition of relevant interests in the Buffer Shares:** the proposed acquisition by the UBS Entities of a relevant interest in some or all of the Buffer Shares.

No person will have a relevant interest or voting power in the Consideration Shares or the Option Holder Shares until they are issued.

The tables below set out the acquisition of relevant interests in JTG Shares and changes in voting power in JTG by the relevant entities for Steps 1 to 5.

Step 1 – Issue of JTG Shares to SGH and Post Merger Transfers:

TABLE A:

Note: the relevant interests and voting power referred to in this table exclude all relevant interests and voting power arising in connection with the Qantas Escrow Deed, the Stella Option Holder Escrow Deeds, the Stella Party Escrow Deeds and the Buffer Shares

Person or persons	Number of JTG Shares in which person has a relevant interest after the step	Voting power after the step	Maximum increase in voting power after the step
CVC Entities	196,881,154 (44.8%)	44.8%	44.8%
UBS Entities	196,881,154 (44.8%)	44.8%	44.8%
GVH Entities	196,881,154 (44.8%)	44.8%	44.8%
Qantas Entities	127,340,726 (29%)	29%	N/A[6]

Relevant interest

Each of the GVH Entities' relevant interest in the Consideration Shares arises through (i) SGH being the registered holder of the Consideration Shares; and (ii) the operation of section 608(3) of the Corporations Act. The relevant interests in the Consideration Shares held by each of the CVC Entities and the UBS Entities arise by virtue of (i) EV and UBSAHL's shareholdings of 60% and 40% (respectively) in GVH, GVH's control of SGH and the operation of section 608(3) of the Corporations Act.

Upon the proposed transfer of the EV Shares from GVH to EV and the UBS Shares from GVH to UBSAHL, each of the CVC Entities, the UBS Entities and the GVH Entities will continue to have a relevant interest in all of the Consideration Shares. These relevant interests arise:

5 Following the transfer of the EV Shares and the UBS Shares from GVH to EV and UBSAHL respectively, the GVH Entities will cease to hold a relevant interest in the Qantas Escrow Shares.

6 Before the issue of JTG Shares to SGH, the Qantas Entities have a relevant interest in 127,340,726 JTG Shares and voting power of 58%. After this issue, the Qantas Entities continue to have a relevant interest in 127,340,726 JTG Shares but their voting power in JTG notionally decreases to 29%. This decrease is only notional as various escrow arrangements will be put in place contemporaneously with the issue of the JTG Shares to SGH and the Stella Option Holders as part of Completion, under which the relevant interest held by the Qantas Controlling Entities will notionally increase.

- in relation to each of EV and UBSAHL's own holdings of Consideration Shares, by virtue of each of them being the respective registered holder of the EV Shares and the UBS Shares;
- on account of EV's power to control the disposition of the UBS Shares under the Co ordination Deed;
- on account of UBSAHL's power to control the disposition of the EV Shares under the Co-ordination Deed; and
- the operation of section 608(3) of the Corporations Act.

The Qantas Entities' relevant interest (including the relevant interest of QH Tours) in the Qantas Escrow Shares arises through (i) QH Tours being the registered holder of 127,340,726 JTG Shares (representing 58% of JTG's issued share capital pre-Completion and 29% of JTG's issued share capital post-Completion); and (ii) the operation of section 608(3) of the Corporations Act.

Voting power

As the CVC Entities, the GVH Entities and the UBS Entities will each have a relevant interest in 44.8% of the total number of JTG Shares post-Completion, they will also have voting power in these shares. As the Qantas Entities will have a relevant interest in 29% of the JTG Shares (on Completion), they will also have voting power in these shares.

Step 2 – Acquisition of relevant interests in Qantas Escrow Shares:

TABLE B:

Person or persons	Number of JTG Shares in which person has a relevant interest after the step	Voting power after the step	Maximum increase in voting power after the step
EV Controlling Entities	324,221,880 (73.8%)	73.8%[7]	29%
GVH Entities[8]	324,221,880 (73.8%)	73.8%	29%
UBSAHL Controlling Entities	324,221,880 (73.8%)	73.8%[9]	29%
JTG	127,340,726 (29%)	29%	29%[10]

Relevant interest

The EV Controlling Entities, the GVH Entities and the UBSAHL Controlling Entities will have a relevant interest in an additional 29% of JTG Shares because (i) JTG will be able to control the disposition of the Qantas Escrow Shares through the Qantas Escrow Deed; and (ii) the operation of section 608(3) of the Corporations Act. JTG will have a relevant interest in 29% of the JTG Shares because it will be able to control the disposition of the Qantas Escrow Shares through the Qantas Escrow Deed.

Voting power

The voting power of each of the CVC Entities, the GVH Entities and the UBS Entities will increase to 73.8% on account of the additional 29% relevant interest that the EV Controlling Entities, the GVH Entities and the UBSAHL Controlling Entities have in JTG Shares. As JTG has a relevant interest in 29% of the JTG Shares it will also have voting power in these shares.

7 The CVC Group Entities will also have voting power of 73.8% in JTG.

8 Following the transfer of the EV Shares and the UBS Shares by GVH to EV and UBSAHL respectively, the GVH Entities will cease to hold a relevant interest in the Qantas Escrow Shares.

9 The UBS Group Entities will also have voting power of 73.8% in JTG.

10 This table shows that JTG's voting power increases by a maximum of 29% as a result of this step. Because the various escrow arrangements that will be put in place contemporaneously with the issue of the JTG Shares to SGH and the Stella Option Holders as part of Completion, the number of JTG Shares in which JTG has a relevant interest will not actually fall and then subsequently increase. The disclosure in the table above has been included to show the increase in voting power that would be associated with this step if it happened sequentially rather than simultaneously.

Additional Information continued

Step 3 – Acquisition of relevant interests in Stella Option Holder Escrow Shares:

TABLE C:

Person or persons	Number of JTG Shares in which person has a relevant interest after the step	Voting power after the step	Maximum increase in voting power after the step
EV Controlling Entities	346,893,704 (79%)	79%	5.2%
CVC Group Entities	219,552,978 (50%)	79%	5.2%
GVH Entities	346,893,704 (79%)	79%	5.2%
UBSAHL Controlling Entities	346,893,704 (79%)	79%[11]	5.2%
JTG	150,012,550 (34.2%)	34.2%	5.2%
Qantas Controlling Entities	150,012,550 (34.2%)	34.2%	5.2%[12]

Relevant interest

JTG will have a relevant interest in an additional 5.2% of JTG Shares because of its power to control the disposition of the Option Holder Shares through the Stella Option Holder Escrow Deeds. The EV Controlling Entities, the GVH Entities, the UBSAHL Controlling Entities and the Qantas Controlling Entities will have a relevant interest in an additional 5.2% of JTG Shares because (i) JTG will control the disposition of the Option Holder Shares through the Stella Option Holder Escrow Deeds; and (ii) the operation of section 608(3) of the Corporations Act. The CVC Group Entities will have a relevant interest in an additional 5.2% of JTG Shares because (i) EV will control the disposition of the Option Holder Shares through the EV Escrow Deeds; and (ii) the operation of section 608(3) of the Corporations Act.

Voting power

The voting power of each of the CVC Entities, the GVH Entities and the UBS Entities will increase to 79% on account of the additional 5.2% relevant interest that the CVC Entities, the GVH Entities and the UBSAHL Controlling Entities will have in JTG Shares. The voting power of each of the Qantas Entities and JTG will increase to 34.2% on account of the additional 5.2% relevant interest that the Qantas Controlling Entities and JTG have in JTG Shares.

Step 4 – Acquisition of relevant interests in Stella Party Escrow Shares:[13]

TABLE D:

Person or persons	Number of JTG Shares in which person has a relevant interest after the step	Voting power after the step	Maximum increase in voting power after the step
JTG	150,012,550 and such number of JTG Shares as is determined by the Stella Party Escrow Shares Formula	Unable to be ascertained at the date of this Explanatory Memorandum	44.8%
Qantas Controlling Entities	150,012,550 and such number of JTG Shares as is determined by the Stella Party Escrow Shares Formula	Unable to be ascertained at the date of this Explanatory Memorandum	44.8%[14]

11 The UBS Group Entities will also have voting power of 79% in JTG.

12 This table shows that JTG's and the Qantas Controlling Entities' voting power increases by a maximum of 5.2% as a result of this step. Because the various escrow arrangements will be put in place contemporaneously with the issue of the JTG Shares to SGH and the Stella Option Holders as part of Completion, the number of JTG Shares in which JTG and the Qantas Controlling Entities have a relevant interest will not actually fall from, in percentage terms, 58% to 29% (or 0% in the case of JTG) and then subsequently increase. The disclosure in the table above has been included to show the increase in voting power that would be associated with this step if it happened sequentially rather than simultaneously.

13 The CVC Entities, the GVH Entities and the UBS Entities do not increase their voting power in JTG as a result of this step as they already have a relevant interest in the Consideration Shares issued to SGH.

14 The voting power JTG and the Qantas Entities have as a result of entering into the Stella Party Escrow Deeds is determined by the Stella Party Escrow Shares Formula. Theoretically the maximum increase in voting power could be 44.8% but based on the JTG Share price and AUD/GBP exchange rate on 22 July 2010 the maximum increase in voting power would be 20.5%.

Additional Information continued

Relevant interest

JTG and the Qantas Controlling Entities will have a relevant interest in the Stella Party Escrow Shares because (i) JTG will control the disposition of the Stella Party Escrow Shares through the Stella Party Escrow Deeds; and (ii) the operation of section 608(3) of the Corporations Act.

Voting power

It is not possible to ascertain the precise voting power of JTG and the Qantas Entities on completion of Step 4 as at the date of this Explanatory Memorandum because it will be determined by the Stella Party Escrow Shares Formula which contains variables that will only be known on the day before Completion.

Step 5 – Acquisition of relevant interests in the Buffer Shares:

TABLE E:

Person or persons	Number of JTG Shares in which person has a relevant interest after the step	Voting power after the step	Maximum increase in voting power after the step
EV	346,893,704 (79%)	82%	3%
UBSAHL Controlling Entities	360,066,882 (82%)	82%	3%
UBS Group Entities	210,054,332 (47.8%)	82%	3%

Relevant interest

The relevant interest held by the (i) UBSAHL Controlling Entities will increase by up to 3% from its prior level to a maximum of 82% if a relevant interest in the Buffer Shares is acquired by a UBS Entity; and (ii) UBS Group Entities will increase by up to 3% to a maximum of 47.8% if a relevant interest in the Buffer Shares is acquired by a UBS Entity.

Voting power

The voting power of each UBSAHL Controlling Entity in JTG Shares will increase by up to 3% from its prior level to a maximum of 82% on account of the additional 3% relevant interest that each UBS Entity would have upon the acquisition of a relevant interest in all of the Buffer Shares by a UBS Entity. As EV is an associate of UBSAHL (by virtue of the Co-ordination Deed), EV's voting power will also increase to a maximum of 82% (even though there is no change to EV's relevant interest).

The voting power of each UBS Group Entity in JTG Shares will increase by up to 3% from its prior level to a maximum of 47.8% on account of the additional 3% relevant interest that each UBS Entity would have upon the acquisition of a relevant interest in all the Buffer Shares by a UBS Entity.

8.7.3 Disclosure under item 7 of section 611 of the Corporations Act

Item 7 of section 611 requires the following information to be provided to JTG Shareholders in connection with Resolutions 1 – 5. As noted above, for the purposes of Resolution 5 and the acquisition of a relevant interest in the Buffer Shares, the information required to be provided for the purposes of Item 7 of section 611 has been modified by the ASIC Instrument 10-0668 dated 27 July 2010, the key conditions of which are described above.

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

- **Step 1 – Issue of JTG Shares to SGH and Post Merger Transfers:** the Consideration Shares will initially be acquired by SGH on Completion. The GVH Entities and the CVC Entities are Associates of SGH. The Consideration Shares will then be acquired by GVH. The GVH Entities (excluding GVH), the CVC Entities and UBSAHL are Associates of GVH. The EV Shares will then be acquired by EV. The GVH Entities, the CVC Entities (excluding EV), and UBSAHL are Associates of EV. The UBS Shares will then be acquired by UBSAHL. The UBS Entities (excluding UBSAHL) and EV are Associates of UBSAHL.
- **Step 2 – Acquisition of relevant interests in Qantas Escrow Shares:** upon execution of the Qantas Escrow Deed, the EV Controlling Entities, the GVH Entities, the UBSAHL Controlling Entities and JTG will obtain a relevant interest in the Qantas Escrow Shares. The CVC Group Entities, the EV Controlling Entities and the GVH Entities are associated. The UBS Entities are associated with the UBSAHL Controlling Entities and EV and UBSAHL are associates. Prior to Completion JTG and the Qantas Entities are associated with each other because QH Tours currently controls JTG.

- **Step 3 – Acquisition of relevant interests in Stella Option Holder Escrow Shares:** upon the issue of the Option Holder Shares to the Stella Option Holders under the Stella Management Acquisition Deeds and the execution of the Stella Option Holder Escrow Deeds and EV Escrow Deeds, the CVC Entities, the GVH Entities, the UBSAHL Controlling Entities, JTG and the Qantas Controlling Entities will obtain a relevant interest in the Stella Option Holder Escrow Shares. The CVC Group Entities, the EV Controlling Entities and the GVH Entities are associated. The UBS Entities are associated with the UBSAHL Controlling Entities, the Qantas Entities are associated with the Qantas Controlling Entities and EV and UBSAHL are associates. Prior to Completion JTG and the Qantas Controlling Entities are associated with each other because QH Tours currently controls JTG.
- **Step 4 – Acquisition of relevant interests in Stella Party Escrow Shares:** upon the issue of the Consideration Shares to SGH under the Merger Implementation Agreement and execution of the Stella Party Escrow Deeds, JTG and the Qantas Controlling Entities will acquire a relevant interest in the Stella Party Escrow Shares. The Qantas Entities are associated with the Qantas Controlling Entities. Prior to Completion JTG and the Qantas Controlling Entities are associated with each other because QH Tours currently controls JTG.
- **Step 5 – Acquisition of relevant interests in Buffer Shares:** one or more UBS Entities may acquire a relevant interest in some or all of the Buffer Shares during the relevant period. The UBS Entities are associated with each other. EV is an Associate of UBSAHL.

(ii) The maximum extent of the increase in that person's voting power in the company that would result from the acquisitions
Please see Tables A to E above.

(iii) The voting power that person would have as a result of the acquisitions
Please see Tables A to E above.

(iv) The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisitions
Please see Tables A to E above.

(v) The voting power that each of that person's associates would have as a result of the acquisitions
Please see Tables A to E above.

8.7.4 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 1 to 5:

(i) The identity of the allottee or purchaser and any person who will have a relevant interest in the shares to be allotted or purchased
- **Step 1 – Issue of JTG Shares to SGH and Post Merger Transfers:** Please see the description of Step 1 and Table A above.
- **Step 2 – Acquisition of relevant interests in Qantas Escrow Shares:** Please see the description of Step 2 and Table B above.
- **Step 3 – Acquisition of relevant interests in Stella Option Holder Escrow Shares:** Please see the description of Step 3 and Table C above.
- **Step 4 – Acquisition of relevant interests in Stella Party Escrow Shares:** Please see the description of Step 4 and Table D above.
- **Step 5 – Acquisition of relevant interests in Buffer Shares:** Please see the description of Step 5 and Table E above.

(ii) Full particulars (including the number and the percentage) of the shares in the company in which the allottee or purchaser has or will have a relevant interest immediately before and after the proposed acquisition
- **Step 1 – Issue of JTG Shares to SGH and Post Merger Transfers:**
  - **Transfer of JTG Shares to SGH:** SGH does not have a relevant interest in any JTG Shares before completion of the proposed acquisition. Immediately after the proposed issue, SGH will have a relevant interest in 196,881,154 JTG Shares, representing 44.8% of JTG's enlarged issued share capital. The newly issued JTG Shares will rank pari passu with the existing JTG Shares.

- **Transfer of JTG Shares to GVH:** Immediately before the proposed acquisition, GVH will have a relevant interest in 196,881,154 JTG Shares, representing 44.8% of JTG's enlarged issued share capital. Immediately after the proposed acquisition, GVH will hold the same relevant interest. The JTG Shares transferred to GVH will rank pari passu with the existing JTG Shares.
- **Transfer of JTG Shares to EV and UBSAHL:** Immediately before the proposed acquisition, EV will have a relevant interest in 196,881,154 JTG Shares, representing 44.8% of JTG's enlarged issued share capital. Immediately after the proposed acquisition, EV will hold the same relevant interest. The EV Shares will rank pari passu with the existing JTG Shares. Immediately before the proposed acquisition, UBSAHL will have a relevant interest in 196,881,154 JTG Shares, representing 44.8% of JTG's enlarged issued share capital. Immediately after the proposed acquisition, UBSAHL will hold the same relevant interest. The UBS Shares will rank pari passu with the existing JTG Shares.

- **Step 2 – Acquisition of relevant interests in Qantas Escrow Shares:** Immediately before the proposed acquisition, the EV Controlling Entities, the GVH Entities and the UBSAHL Controlling Entities will have a relevant interest in 196,881,154 JTG Shares, representing 44.8% of JTG's enlarged issued share capital. Immediately after the proposed acquisition these entities will have a relevant interest in 324,221,880 JTG Shares, representing 73.8% of JTG's enlarged issued share capital. Immediately before the proposed acquisition, JTG will notionally not have a relevant interest in JTG Shares.[15] Immediately after the proposed acquisition JTG will have a relevant interest in 127,340,726 JTG Shares, representing 29% of JTG's enlarged issued share capital.
- **Step 3 – Acquisition of relevant interests in Stella Option Holder Escrow Shares:** Immediately before the proposed acquisition (i) the EV Controlling Entities, the GVH Entities and the UBSAHL Controlling Entities will have a relevant interest in 324,221,880 JTG Shares, representing 73.8% of JTG's enlarged issued share capital; (ii) the CVC Group Entities will have a relevant interest in 196,881,154 JTG Shares, representing 44.8% of JTG's enlarged issued share capital; and (iii) JTG and the Qantas Controlling Entities will have a relevant interest in 127,340,726 JTG Shares, representing 29% of JTG's enlarged issued share capital. Immediately after the proposed acquisition, (i) the EV Controlling Entities, the GVH Entities and the UBSAHL Controlling Entities will have a relevant interest in 346,893,704 JTG Shares, representing 79% of JTG's enlarged issued share capital; (ii) the CVC Group Entities will have a relevant interest in 219,552,978 JTG Shares, representing 50% of JTG's enlarged issued share capital; and (iii) JTG and the Qantas Controlling Entities will have a relevant interest in 150,012,550 JTG Shares, representing 34.2% of JTG's enlarged issued share capital.
- **Step 4 – Acquisition of relevant interests in Stella Party Escrow Shares:** Immediately before the proposed acquisition, JTG and the Qantas Controlling Entities will have a relevant interest in 150,012,550 JTG Shares, representing 34.2% of JTG's enlarged issued share capital. Immediately after the proposed acquisition, these entities will have a relevant interest in 150,012,550 JTG Shares as well as the Stella Party Escrow Shares the number of which is unable to be ascertained at the date of this Explanatory Memorandum.
- **Step 5 – Acquisition of relevant interests in Buffer Shares:** Immediately before the proposed acquisition of the Buffer Shares, the UBSAHL Controlling Entities will have a relevant interest in 346,893,704 JTG Shares (representing 79% of JTG's enlarged share capital), and the UBS Group Entities will have a relevant interest in 196,881,154 JTG Shares, representing 44.8% of JTG's enlarged issued share capital). As a result of the acquisition of a relevant interest in the Buffer Shares by one or more UBS Entities, the number of JTG Shares that the UBS Entities have a relevant interest in will increase by up to 13,173,178 JTG Shares, which will result in: (i) the UBSAHL Controlling Entities having a relevant interest in up to 82% of JTG's enlarged issued share capital; and (ii) the UBS Group Entities having a relevant interest in up to 47.8% of JTG's enlarged issued share capital.

(iii) The identity, associations (with the allottee, purchaser or vendor and with any of their associates) and qualifications of any person who it is intended will become a director if the shareholders agree to the allotment or purchase

The identity, associations and qualifications of the persons nominated by SGH to be appointed as directors of JTG are set out in section 5.3.

15 See footnote 8. Note that all of these actions will happen contemporaneously such that JTG's relevant interest in JTG Shares will never actually drop below the aggregate number of JTG Shares that are subject to the Qantas Escrow Deed, the Stella Party Escrow Deeds or the Stella Option Holder Escrow Deeds.

Additional Information continued

(iv) A statement of the allottee's or purchaser's intentions regarding the future of the company if shareholders agree to the allotment or purchase, and in particular: any intention to change the business of the company; any intention to inject further capital into the company, and if so how; the future employment of the present employees of the company; any proposal whereby any property will be transferred between the company and the allottee, vendor or purchaser or any person associated with any of them; and any intention to otherwise redeploy the fixed assets of the company

The intentions of the Stella Parties if Resolutions 1 to 5 (inclusive) are approved are set out in section 6.5 of this Explanatory Memorandum.

(v) Particulars of the terms of the proposed allotment or purchase and any other contract or proposed contract between the allottee and the company or vendor or any of their associates which is conditional upon, or directly or indirectly dependent on, shareholders' agreement to the allotment or purchase

The particulars of the Merger Proposal are set out in section 2.2. A summary of the Merger Agreements is set out in sections 8.1 and 8.2. A summary of the Escrow Deeds is set out in section 8.3. A summary of the EV Escrow Deed is set out in section 8.4. A summary of the Co-ordination Deed is set out in section 8.5. A summary of the Separation Agreements is set out in section 8.6.2.

It is expected that the proposed transfers of JTG Shares from SGH to GVH, and then from GVH to each of EV and UBSAHL will be effected by way of share transfer forms with the consideration taking the form of promissory notes.

(vi) When the allotment is to be made or purchase is to be completed

If the Non-associated JTG Shareholders approve Resolutions 1 to 5 and assuming all other conditions under the Merger Agreements are satisfied or waived:

- the issue and allotment of the Consideration Shares to SGH is scheduled to take place on 30 September 2010. However not all conditions to the Merger Proposal may be satisfied by this time, in particular the ACCC's confirmation that it will not object to the Merger Proposal (see further section 2.2), so this issue and allotment may occur at a later date which JTG would announce to the market. The Stella Parties must procure that the transfer of (i) the Consideration Shares to GVH by SGH; (ii) the EV Shares to EV by GVH; and (iii) the UBS Shares to UBSAHL by GVH takes place as soon as reasonably practicable (and in any event within two months) after Completion;
- the issue and allotment of the Option Holder Shares to the Stella Option Holders and the acquisition of a relevant interest in these shares, the Qantas Escrow Shares and the Stella Party Escrow Shares under the Escrow Deeds is scheduled to take place on 30 September 2010 subject to the qualification made in the above paragraph; and
- the acquisition of the Buffer Shares may occur at any time during the six months following Completion.

If the conditions to Completion are not satisfied or waived by 30 November 2010, there are consultation provisions in the Merger Implementation Agreement which require the parties to consult in good faith with a view to determining whether the Merger Proposal may be effected by alternate means.

(vii) An explanation of the reasons for any proposed allotment

An explanation of the rationale for the Merger Proposal is set out in section 2.

(viii) The interests of the directors in the resolution

The JTG Directors do not have a material personal interest in the outcome of the Resolutions other than in their capacity as JTG Shareholders. As at the date of this Explanatory Memorandum, none of the JTG Directors have a relevant interest in any JTG Shares other than John King's direct and indirect ownership of an aggregate of 50,600 JTG Shares and Peter Spathis' direct and indirect ownership of an aggregate of 500,000 JTG Shares.

(ix) The identity of the directors who approved or voted against the proposal to put the resolution to shareholders and the relevant information memorandum

All of the JTG Directors voted to put the Resolutions and the information contained in the Notice of Meeting and this Explanatory Memorandum to JTG Shareholders.

(x) The recommendation or otherwise of each director as to whether the non-associated shareholders should agree to the acquisition, and the reasons for that recommendation or otherwise

The JTG Directors' unanimous recommendations are set out in section 2.8.

Additional Information continued

(xi) Any intention of the acquirer to change significantly the financial or dividend policies of the company
The intentions of SGH are set out in section 6.5.6 and 6.5.7.

(xii) An analysis of whether the proposal is fair and reasonable when considered in the context of the interests of the shareholders other than those involved in the proposed allotment or purchase or associated with such persons
In accordance with ASIC Regulatory Guide 74, the JTG Directors commissioned Deloitte to prepare an Independent Expert's Report which assesses whether the Merger Proposal is fair and reasonable to the Non- associated JTG Shareholders. The report is set out in section 12. The Independent Expert's Report has concluded that the Merger Proposal is fair and reasonable and therefore in the best interests of JTG Shareholders.

(xiii) Particulars of how the proposal was examined and evaluated as well as the results of the examination and evaluation
Details of how the Merger Proposal was examined by JTG and the JTG Directors, and the results of that examination are set out in section 2, including, in particular, section 2.8.

Neither JTG nor the JTG Directors are aware of any additional information not set out in this Explanatory Memorandum or the Independent Expert's Report that would be material to JTG Shareholders in deciding how to vote on Resolutions 1 to 5 (inclusive).

8.8 RESOLUTIONS 6 TO 8
Under the Merger Implementation Agreement, it is a condition precedent that JTG Shareholders pass a resolution approving the appointment of three persons nominated by SGH to the JTG Board (subject to completion under the Merger Implementation Agreement). SGH has nominated Messrs Cummins, MacKenzie and Riches as its nominees. Resolutions 6, 7 and 8 seek this approval.

Rule 3.4 of JTG's constitution provides that, subject to prescribed voting procedural requirements, JTG Shareholders may elect directors to the JTG Board by ordinary resolution. Accordingly, the JTG Board recommends the appointment of each nominee. Further information on these nominees is set out in section 5.3.

8.9 RESOLUTION 9
Rule 28.1 of the JTG constitution effectively provides that JTG may not implement an employee share scheme under which JTG Shares are issued to employees or directors of JTG or any related body corporate of JTG without an ordinary resolution being passed at a general meeting of JTG Shareholders authorising the JTG Board to implement such a scheme.

The Stella Management Employee Share Scheme Deed sets out the terms of an employee share scheme pursuant to which JTG intends to issue JTG Shares to Stella Option Holders in consideration for the acquisition of their Stella Shares. The key terms of this employee share scheme are set out in section 8.2. These Stella Option Holders will become employees of JTG's related bodies corporate on and from Completion. Accordingly, the JTG Board is seeking the necessary approval of JTG Shareholders for the implementation of the employee share scheme contemplated by the Stella Management Employee Share Scheme Deed under this resolution.

8.10 RESOLUTION 10

8.10.1 Introduction
The purpose of Resolution 10 is for the JTG Shareholders to approve JTG financially assisting the acquisition of JTG Shares by the Stella Parties and the Stella Option Holders. Approval of Resolution 10 will result in JTG providing a guarantee of all obligations and liabilities under or in connection with the Restated and Amended Facility Agreement if the Stella Group becomes wholly owned by JTG.

8.10.2 Circumstances where a company may provide financial assistance

Under section 260A(1) of the Corporations Act, a company may financially assist a person to acquire shares (or units of shares) in the company or a holding company of the company in certain limited circumstances, including if the assistance is approved by the company's shareholders under section 260B of the Corporations Act or where the giving of the assistance does not materially prejudice the interests of the company or its shareholders or the company's ability to pay its creditors. A company may be regarded as giving financial assistance if it gives something needed in order that a transaction be carried out, or gives something in the nature of aid or help, in circumstances which are connected with or for the purpose of assisting the acquisition of shares in itself or one of its holding companies. Common examples of financial assistance include giving a guarantee or indemnity in respect of another person's liability, issuing a debenture or giving security over the company's assets.

The provision of a guarantee by JTG in support of the Stella Group's obligations under the Restated and Amended Facility Agreement may involve JTG financially assisting the Stella Parties and the Stella Option Holders with the acquisition of JTG Shares as part of the Merger Proposal for the purposes of section 260A of the Corporations Act.

8.10.3 Particulars of the financial assistance

Under the Restated and Amended Facility Agreement (the material terms of which are set out in section 5.6), the relevant members of the Stella Group will be required to procure that JTG accedes to that facility agreement by entering into an accession agreement to become an additional guarantor and obligor and to be bound by the terms of the Restated and Amended Facility Agreement as a guarantor and an obligor.

This will involve JTG giving a guarantee for the repayment of all amounts that may become owing, and to secure (among other things) each obligor's obligations, under and in connection with the Restated and Amended Facility Agreement, and becoming bound by undertakings and giving representations and warranties as an obligor under the Restated and Amended Facility Agreement. As noted above, the entry into, and performance of obligations under, the guarantee may constitute or involve JTG giving financial assistance in connection with the acquisition of JTG Shares for the purposes of section 260A of the Corporations Act.

Accordingly, the reason for the giving by JTG of the financial assistance described above is to enable the relevant members of the Stella Group (which will become wholly owned by JTG if the Merger Proposal is implemented) to comply with their obligations under the Restated and Amended Facility Agreement. If the financial assistance is not approved by the JTG Shareholders and the financial assistance is not given by JTG, then JTG cannot be certain that UBS AG will consent to rolling over the Stella Debt under the Facility Agreement and this may result in a condition precedent to Completion not being satisfied, such that JTG could not be certain that the Merger Proposal would be implemented.

8.10.4 Effects of the financial assistance

As the relevant members of the Stella Group are already liable for the amounts payable under the Facility Agreement, the giving of the financial assistance by JTG described in this Explanatory Memorandum is unlikely to have any materially adverse effect on the JTG Group as a whole following implementation of the Merger Proposal. The Merger Proposal was agreed by JTG in the knowledge that the Stella Group would continue to have external borrowings. The substantive effect of the financial assistance on JTG is that it will have guaranteed all amounts payable under or in connection with the Restated and Amended Facility Agreement, and indemnified UBS AG and other parties against any liability, loss or cost incurred by them under, or in connection with, the Restated and Amended Facility Agreement. A summary of certain material operations of the enlarged JTG Group that will be restricted by the undertakings given by JTG when it accedes to the Restated and Amended Facility Agreement are set out in section 5.6.3

If any member of the Stella Group was to default under the Restated and Amended Facility Agreement, a demand may be made on the guarantee and indemnity given by JTG. Accordingly, JTG would be liable for the default of a member of the Stella Group, with the result that its assets would be available to satisfy the claims against the members of the Stella Group and may be the subject of a winding-up process (just as its assets would be available in relation to any other unsecured claim). The sale of assets on a winding-up may yield a return to JTG (and ultimately the JTG Shareholders) significantly lower than could have been achieved by JTG had those assets been otherwise sold. The risks of these consequences arising must be assessed by reference to a number of matters, including the quantum of the amounts guaranteed (including as set out in section 5.6.1) in the context of the financial circumstances of the enlarged JTG Group, together with (i) the likelihood that the Stella Group will default under the Restated and Amended Facility Agreement; and (ii) the likelihood that JTG would then not be able to meet its obligations under the guarantee and indemnity.

8.10.5 Advantages of approving Resolution 10

The advantage to JTG of JTG Shareholders approving Resolution 10 is that the members of the Stella Group (which will be wholly owned by JTG if the Merger Proposal is implemented) will be able to meet their anticipated obligations under the Restated and Amended Facility Agreement and this should assist them in obtaining the consent of UBS AG to rolling over of the Facility Agreement. This would satisfy a condition precedent to Completion under the Merger Implementation Agreement (and also prevent the occurrence of an event of default under the Restated and Amended Facility Agreement), allowing JTG to complete its acquisition of the Stella Group and enjoy the benefits outlined elsewhere in this Explanatory Memorandum as a result of the Merger Proposal being implemented. The JTG Directors believe that these advantages are in the interests of JTG and the JTG Shareholders.

8.10.6 Potential disadvantages of approving Resolution 10

Notwithstanding that the JTG Directors consider that the benefits of the Merger Proposal (including the provision of the financial assistance described above) outweigh any potential disadvantages, the JTG Directors note that the disadvantages of JTG Shareholders approving Resolution 10 may be considered to include the fact that JTG will become liable for the amounts owing under or in connection with the Restated and Amended Facility Agreement, the operations of JTG will be restricted by the representations and undertakings given by JTG and the obligations of JTG by acceding to the Restated and Amended Facility Agreement, and the giving of the financial assistance may impact on JTG's ability to borrow money in the future (because a lender may be deterred by the existence of the guarantee).

8.10.7 Recommendation of JTG Directors

The JTG Directors unanimously recommend that JTG Shareholders vote in favour of Resolution 10 as they believe that approval of Resolution 10 is in the best interests of JTG for the reasons outlined in section 8.10.5.

8.10.8 Special Resolution

Under section 260B(1) of the Corporations Act, shareholder approval for financial assistance by JTG must be approved by special resolution passed at a general meeting of JTG with no votes being cast in favour of the resolution by the person acquiring the JTG Shares or by their associates. In accordance with the Corporations Act and JTG's constitution, a special resolution must be passed by at least 75% of the total votes cast by JTG Shareholders entitled to vote on the resolution (whether in person or by proxy, attorney or representative).

8.10.9 Disclosure of information

The JTG Directors consider that this Explanatory Memorandum contains all the information known to JTG that is material to the decision on how to vote on Resolution 10, other than information that would be unreasonable to require JTG to disclose because JTG has previously disclosed the information to JTG Shareholders.

8.11 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:

- Deutsche Bank as financial adviser to JTG;
- Grant Samuel as financial adviser to JTG;
- Minter Ellison as legal adviser to JTG;
- Computershare Investor Services as JTG's Share Registrar;
- KPMG as auditor to JTG;
- KPMG Transaction Services as an investigating accountant;
- PricewaterhouseCoopers Securities as an investigating accountant in respect of the Stella Group Financial Information;
- PricewaterhouseCoopers as auditor to the Stella Group, the STS Group and the GVH Group;
- Deloitte as the Independent Expert; and
- each of the Stella Parties.

Additional Information continued

Each of the Stella Parties has given, and has not withdrawn as at the date of this Explanatory Memorandum, its written consent to the inclusion of the Stella 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 8.11:

- 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.

9

JTG Group Financial Information

9.1.1 JTG Group Financial Information

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

- JTG Group Pro-Forma Historical Income Statements (refer to sections 9.1.3 and 9.1.4);
- JTG Group Pro-Forma Historical Balance Sheet (refer to section 9.1.7);
- JTG Group Pro-Forma Forecast Income Statement (refer to section 9.1.3); and
- JTG Group Statutory Forecast Income Statement (refer to section 9.1.3).

Also summarised in this section are:

- the basis of preparation of the JTG Group Financial Information (refer to section 9.1.2); and
- the best estimate assumptions underlying the JTG Group Forecast Income Statements (refer to section 9.1.6).

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

The JTG Group Financial Information has been reviewed by KPMG Transaction Services. The KPMG Transaction Services Investigating Accountant's Report is contained in section 7.1.

The information in this section should also be read in conjunction with the risk factors set out in section 5.7 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.

9.1.2 Basis of preparation and presentation of the JTG Group Financial Information

The JTG Group Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act. The JTG Group's accounting policies are disclosed in the JTG Group annual report for the year ended 30 June 2009.

Consistent with the Stella Group Financial Information and the Enlarged JTG Group Financial Information, the JTG Group Pro-Forma Historical Income Statements and the JTG Group Forecast 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 JTG Group during the periods presented). Following the implementation of the Merger Proposal, the enlarged JTG Group will be required to restate the assets and liabilities of the JTG 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, amortisation and impairment expenses are not a meaningful representation of the future earnings profile of the JTG Group as part of the enlarged JTG Group.

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

Preparation of the JTG Group Pro-Forma Historical Income Statements

The JTG Group Pro-Forma Historical Income Statements are based on the audited statutory consolidated historical financial statements of the JTG Group for the year ended 30 June 2009, and the reviewed statutory consolidated historical financial statements of the JTG Group for the six months ended 31 December 2009, after making pro-forma adjustments for certain transactions and/or events.

The financial statements of the JTG Group for the year ended 30 June 2009 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinion issued to the members of the JTG Group relating to those financial statements was unqualified.

The financial statements of the JTG Group for the six months ended 31 December 2009 were reviewed by KPMG in accordance with Australian Auditing Standards applicable to review engagements. KPMG's review report issued to the members of the JTG Group relating to those financial statements was unqualified.

Refer to sections 9.1.5 and 9.1.3 for a reconciliation between the audited/reviewed statutory consolidated historical income statements of the JTG Group and the JTG Group Pro-Forma Historical Income Statements.

Preparation of the JTG Group Forecast Income Statements

The JTG Directors believe that the JTG Group Forecast Income Statements have been prepared with due care and attention. The JTG Group Forecast Income Statements have been prepared on the basis of numerous assumptions, including the best estimate assumptions set out in section 9.1.6. This information is intended to assist JTG Shareholders in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The JTG Directors consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing the Explanatory Memorandum.

The JTG Group Forecast Income Statements in respect of the year ended 30 June 2010 have been presented on both a pro-forma and a statutory basis.

The JTG Group Pro-Forma Forecast Income Statement is comprised of the JTG Group pro-forma consolidated historical income statement for the six months ended 31 December 2009 and the JTG Group pro-forma consolidated forecast income statement for the six months ended 30 June 2010. The JTG Group Pro-Forma Forecast Income Statement excludes the impact of the estimated non-recurring fees and expenses of implementing the Merger Proposal.

The JTG Group Statutory Forecast Income Statement is comprised of the reviewed consolidated historical income statement of the JTG Group for the six months ended 31 December 2009 and the statutory consolidated forecast income statement for the six months ended 30 June 2010. The JTG Group Statutory Forecast Income Statement includes the impact of the estimated non-recurring fees and expenses of the implementation of the Merger Proposal that are expected to be reported in the income statement for the year ended 30 June 2010.

Refer to section 9.1.5 for a reconciliation between the JTG Group Statutory Forecast Income Statement and the JTG Group Pro-Forma Forecast Income Statement.

JTG Shareholders should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the JTG Group Forecast Income Statements, and that this may have a materially positive or negative effect on the JTG Group's actual financial performance or financial position. JTG Shareholders are advised to review the JTG Group's best estimate assumptions set out in section 9.1.6, the risk factors set out in section 5.7 and other information set out in this Explanatory Memorandum.

9.1.3 JTG Group Pro-Forma Historical Income Statements and JTG Group Forecast Income Statements

Set out below is a summary of the JTG Group Pro-Forma Historical Income Statement for the year ended 30 June 2009, the JTG Group Pro-Forma Forecast Income Statement for the year ended 30 June 2010, and the JTG Group Statutory Forecast Income Statement for the year ended 30 June 2010.

A$000s	JTG Group Pro-Forma Historical Income Statement for the year ended 30 June 2009	JTG Group Pro-Forma Forecast Income Statement for the year ended 30 June 2010	JTG Group Statutory Forecast Income Statement for the year ended 30 June 2010
TTV(1)	**2,453,752(2)**	**2,198,668**	**2,198,668**
Revenue	146,971	135,108	135,108
Interest income on client cash	5,216	3,358	–
Total revenue(3)	**152,187**	**138,466**	**135,108**
Expenses	(123,724)	(115,127)	(119,627)
EBITDAI(3)	**28,463**	**23,339**	**15,481**

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 across the JTG Group's various operations, including by franchisees and affiliates acting as agents for various airlines and other service providers, plus revenue from other sources. The JTG Group's revenue is therefore derived from TTV. TTV does not represent the JTG Group's cash flows as some transactions are settled directly between the customer and supplier.

(2) FY09 TTV comprises the JTG Group's TTV as disclosed in the FY09 statutory accounts ($2,374,904,000) and an adjustment to include the JTG Group's TTVs for the 24 day period prior to the merger between JTG, Qantas Holidays and QBT on 25 July 2008.

(3) 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 (refer to section 9.1.5).

JTG Group Financial Information continued

9.1.4 Composition of the JTG Group Pro-Forma Forecast Income Statement

The table below provides the composition of JTG Group's Pro-Forma Forecast Income Statement for the year ended 30 June 2010, showing separately the JTG Group pro-forma consolidated historical income statement for the six months ended 31 December 2009 and the JTG Directors' pro-forma consolidated forecast income statement for the six months ended 30 June 2010.

A$000s	Pro-forma historical income statement for the six months ended 31 December 2009	Pro-forma forecast income statement for the six months ended 30 June 2010	JTG Group Pro-Forma Forecast Income Statement
TTV(1)	**1,050,380**	**1,148,288**	**2,198,668**
Revenue	67,814	67,294	135,108
Interest income on client cash	1,445	1,913	3,358
Total revenue(2)	**69,259**	**69,207**	**138,466**
Expenses	(59,764)	(55,363)	(115,127)
EBITDAI(2)	**9,495**	**13,844**	**23,339**

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 across the JTG Group's various operations, including by franchisees and affiliates acting as agents for various airlines and other service providers, plus revenue from other sources. The JTG Group's revenue is therefore derived from TTV. TTV does not represent the JTG 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 (refer to section 9.1.5).

9.1.5 Reconciliation of the pro-forma historical and forecast income statements to the actual historical and statutory income statements

In presenting the pro-forma historical and forecast consolidated income statements included in this Explanatory Memorandum, pro-forma adjustments to the audited and reviewed statutory consolidated historical and forecast income statements have been made for certain transactions and/or events to reflect the JTG Group's current operations and to eliminate certain non-recurring items. These adjustments are summarised below.

A$000s	Historical year ended 30 June 2009	Historical six months ended 31 December 2009	Forecast six months ended 30 June 2010	Forecast year ended 30 June 2010
Statutory revenue	**145,104**	**67,814**	**67,294**	**135,108**
Adjustments:				
Adjustment 1: interest on client cash	5,216	1,445	1,913	3,358
Adjustment 2: pre-merger JTG Group revenue	1,867	–	–	–
Pro-forma revenue	**152,187**	**69,259**	**69,207**	**138,466**
Statutory EBITDAI	**22,329**	**8,050**	**7,431**	**15,481**
Adjustments:				
Adjustment 1: interest on client cash	5,216	1,445	1,913	3,358
Adjustment 2: pre-merger JTG Group EBITDAI	(1,010)	–	–	–
Adjustment 3: transaction costs	1,928	-	4,500	4,500
Pro-forma EBITDAI	**28,463**	**9,495**	**13,844**	**23,339**

JTG Group Financial Information continued

Adjustment 1: Interest income on client cash has been included in JTG Group pro-forma revenue and EBITDAI, due to the operating nature of these amounts, whereas for statutory purposes this is reported together with other interest income below EBITDAI.

Adjustment 2: This adjustment reflects the inclusion of the JTG Group's earnings for the 24 day period prior to its merger with Qantas Holidays and QBT on 25 July 2008.

Adjustment 3: The FY09 transaction costs adjustment relates to amounts incurred in respect of the JTG Group merger with Qantas Holidays and QBT. The FY10 transaction costs relate to the forecast adviser costs associated with the implementation of the Merger Proposal. These transaction costs are excluded from pro-forma EBITDAI.

9.1.6 JTG Group Forecast Income Statements

The JTG Group Pro-Forma Forecast Income Statement is comprised of the pro-forma consolidated historical income statement for the six months ended 31 December 2009 and the JTG Group pro-forma consolidated forecast income statement for the six months ended 30 June 2010.

The JTG Group pro-forma forecast income statement for the six months ended 30 June 2010 is based on the unaudited historical trading performance of the JTG Group for the five months to 31 May 2010 and the forecast trading performance for the month of June 2010.

Best estimate assumptions underlying the JTG Group Forecast Income Statements

The JTG Group Forecast Income Statements are based on various best estimate assumptions, of which the key assumptions are set out below. The assumptions below are a summary only and do not represent all factors that will affect the JTG Group's forecast financial performance. This information is intended to assist JTG Shareholders in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of the JTG Group Forecast Income Statements set out in section 9.1.2, and the risk factors set out in section 5.7.

The best estimate assumptions underpinning the JTG Group forecasts for the six months from 1 January 2010 to 30 June 2010 include the following:

- business-as-usual conditions considering seasonality and historical booking and travel trends;
- override commission receivable from air and land partners, and commissions payable to agents have been forecast based on current contracted override commission levels, expected sales volumes for June 2010 derived from historical seasonal booking patterns of each JTG Group business and consistent with actual historical experience during the 10 months to May 2010;
- interest rates are consistent with current rates applicable to cash investments;
- expenses are forecast to remain consistent with actual JTG Group expense levels experienced in the period from 1 January 2010;
- stable exchange rates consistent with current exchange rates; and
- the absence of any material, adverse geo-political events. The travel industry is such that events including volcanic eruptions, civil unrest, pandemics or financial crises in one or more regions of the world can have significant impacts on trading. The forecasts implicit within this Explanatory Memorandum assume no such events.

Management discussion and analysis of forecast year ended 30 June 2010 compared to year ended 30 June 2009

Group

Although trading conditions have improved in H2 FY10 over those in the previous two reporting periods (H2 FY09 and H1 FY10), they have not returned to the pre global financial crisis levels experienced by JTG. Growth in the retail business has been the strongest, while yields in wholesale and business travel remain under pressure. In response, JTG continues to reduce its cost base. On a pro-forma basis, FY10 operating expenses are forecast to decrease by 7% from FY09.

As a result of the reduced revenue and margins, partially offset by lower operating costs, forecast FY10 pro-forma EBITDAI of $23.3 million represents an 18% reduction from pro-forma EBITDAI for FY09.

JTG Group Financial Information continued

Wholesale

FY10 TTV is forecast to be 17% below FY09 levels predominantly resulting from the favourable trading conditions experienced in the first half of FY09 (prior to the global financial crisis) not having been repeated in FY10. The loss of the Flight Centre business in H1 FY10 also accounts for approximately 6% of this 17% reduction in TTV. Half yearly TTV for the last 18 months has remained relatively steady at approximately $200 million while airline ticket prices and land margins have remained under pressure from volatile exchange rates and competitive pressures.

FY10 pro-forma EBITDAI for the wholesale business is forecast to be $16.3 million (including interest income on client cash). However, this pro-forma forecast EBITDAI includes the positive impact of a number of non-recurring items, including transition payments associated with the original merger of JTG and Qantas Holidays/QBT, settlement of disputed trading balances and the release of an onerous lease provision. These non-recurring items are forecast to account for $9.0 million in EBITDAI for FY10, of which $2.3 million was recognised in the six months ended 31 December 2009 ($6.7 million forecast to be recognised in the six months ended 30 June 2010).

Business Travel

FY10 TTV is forecast to be 27% below FY09 as a result of the combined impacts of reduced corporate travel activity, reduced TTV per ticket and shifting customer spend patterns attributed to the global financial crisis. During FY10, management has successfully reduced expenses by a forecast 11%, on a pro-forma basis, however, a pro-forma EBITDAI loss of $3.6 million is forecast for QBT for FY10, a result of the TTV reduction, coupled with restructured performance income targets from key QBT suppliers.

Retail

FY10 retail TTV from JTG's franchised and affiliated retail network is forecast to be 10% above FY09 on a pro-forma basis, as a result of growth experienced in the retail distribution network including a net increase in retail agents, in conjunction with the establishment of a collective purchasing agreement with Travellers Choice substantially offsetting the impact of the global financial crisis. The forecast FY10 pro-forma EBITDAI performance of $17.2 million is consistent with FY09, due to increased activity and improved management of supplier distribution arrangements, offset by increased marketing and ticketing expenses.

9.1.7 JTG Group Pro-Forma Historical Balance Sheet

The JTG Group Pro-Forma Historical Balance Sheet shown below is based on the reviewed statutory financial balance sheet of the JTG Group as at 31 December 2009, after making a pro-forma adjustment in respect of the presentation of client cash. In the statutory accounts, client cash is not separately identified on the balance sheet. For the purposes of the JTG Group Pro-Forma Historical Balance Sheet, client cash as at 31 December 2009 has been presented separately.

JTG Group Financial Information continued

As at 31 December 2009 A$000s	Reviewed actual balance sheet	Pro-forma adjustment	JTG Group Pro-Forma Historical Balance Sheet
ASSETS			
Current assets			
Cash[1]	108,766	(72,001)	36,765
Client cash	–	72,001	72,001
Trade and other receivables	52,048	–	52,048
Other current assets	16,186	–	16,186
Total current assets	**177,000**	**–**	**177,000**
Total non-current assets			
Property plant and equipment	1,311	–	1,311
Intangible assets and goodwill	170,723	–	170,723
Non-current assets	**172,034**	**–**	**172,034**
TOTAL ASSETS	**349,034**	**–**	**349,034**
LIABILITIES			
Current liabilities			
Trade and other payables	127,931	–	127,931
Provisions	4,738	–	4,738
Total current liabilities	**132,669**	**–**	**132,669**
Non-current liabilities			
Provisions	1,478	–	1,478
Deferred tax liabilities	18,762	–	18,762
Total non-current liabilities	**20,240**	**–**	**20,240**
TOTAL LIABILITIES	**152,909**	**–**	**152,909**
NET ASSETS	**196,125**	**–**	**196,125**
EQUITY			
Issued capital	172,345	–	172,345
Reserves	168	–	168
Retained earnings	23,612	–	23,612
Total equity	**196,125**	**–**	**196,125**

Note:
(1) In the reviewed actual balance sheet, the amount of $108,766,000 includes client cash.

Notice of Meeting

Notice is given that a general meeting of Jetset Travelworld Limited ABN 60 091 214 998 (**JTG** or **Company**) will be held on 6 September 2010 at 10.00am (Sydney time) at Deutsche Bank Place, Level 16, corner Hunter and Phillip Streets, Sydney NSW 2000.

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: ISSUE OF JTG SHARES TO SGH AND RELATED TRANSFERS

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

*'For the purposes of section 611 item 7 of the Corporations Act 2001 (Cth) and for all other purposes, the members of JTG approve the issue by JTG to Stella Group Holdings Pty Ltd (**SGH**) of 196,881,154 ordinary JTG shares (**JTG Shares**) and the subsequent transfer of those JTG Shares by SGH, under the terms of the Merger Implementation Agreement dated 12 May 2010 entered into between JTG, SGH, Global Voyager Holdings Pty Ltd (**GVH**), Europe Voyager N.V. (**EV**) and UBS Australia Holdings Limited (**UBSAHL**) and as described in the Explanatory Memorandum, which will result in the acquisition by each entity listed below, under Step 1 as described in section 8.7 of this Explanatory Memorandum, of a relevant interest in a number of JTG Shares equal to the number set out against their name:*

Name	JTG Shares in which a relevant interest will be acquired*	Total number of JTG Shares in which a relevant interest will be held*	Voting power following acquisition*
SGH	196,881,154	196,881,154	44.8%
GVH	196,881,154	196,881,154	44.8%
The CVC Entities (including EV) and the GVH Entities (as defined in this Explanatory Memorandum)	196,881,154	196,881,154	44.8%
The UBS Entities (including UBSAHL) (as defined in this Explanatory Memorandum)	196,881,154	196,881,154	44.8%

* It is intended that Steps 1 – 4 or Steps 1, 3 and 4 (as described in section 8.7 of this Explanatory Memorandum) will occur simultaneously. Accordingly, the total number of JTG Shares in which a relevant interest will be held or in respect of which voting power arises is as set out in section 8.7 of this Explanatory Memorandum.'

Voting exclusion statement

Item 7 of section 611 of the Corporations Act requires that no votes be cast in favour of Resolution 1 by the CVC Entities, the GVH Entities, the UBS Entities and any of their Associates.

RESOLUTION 2: ACQUISITION OF RELEVANT INTEREST IN QANTAS ESCROW SHARES

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

'Subject to Resolution 1 being passed, for the purposes of section 611 item 7 of the Corporations Act 2001 (Cth) and for all other purposes, the members of JTG approve the acquisition by each entity listed below of a relevant interest in a number of JTG Shares equal to the number set out against their name as a result of JTG's power to exercise control over the disposition of 127,340,726 JTG Shares under the escrow deed to be entered into between JTG and Q H Tours Limited, under Step 2 as described in section 8.7 of this Explanatory Memorandum.

Name	JTG Shares in which a relevant interest will be acquired*	Total number of JTG Shares in which a relevant interest will be held*	Voting power following acquisition*
The EV Controlling Entities (as defined in this Explanatory Memorandum) and the GVH Entities	127,340,726	324,221,880	73.8%
The UBSAHL Controlling Entities (as defined in this Explanatory Memorandum)	127,340,726	324,221,880	73.8%
JTG	127,340,726	127,340,726	29%

* It is intended that Steps 1 – 4 or Steps 1, 3 and 4 (as described in section 8.7 of this Explanatory Memorandum) will occur simultaneously. Accordingly, the total number of JTG Shares in which a relevant interest will be held or in respect of which voting power arises is as set out in section 8.7 of this Explanatory Memorandum.'

Voting exclusion statement

Item 7 of section 611 of the Corporations Act requires that no votes be cast in favour of Resolution 2 by (1) the EV Controlling Entities, the GVH Entities, the UBSAHL Controlling Entities, JTG and any of their Associates; and (2) Qantas Airways Limited (**Qantas**)(through QH Tours).

RESOLUTION 3: ACQUISITION OF RELEVANT INTEREST IN STELLA OPTION HOLDER ESCROW SHARES

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

'Subject to Resolution 1 being passed, for the purposes of section 611 item 7 of the Corporations Act 2001 (Cth) and for all other purposes, the members of JTG approve the acquisition by each entity listed below of a relevant interest in a number of JTG Shares equal to the number set out against their name as a result of JTG's power to exercise control over the disposition of 22,671,824 JTG Shares under the escrow deeds to be entered into between JTG and the Stella Option Holders (as listed in Annexure A), under Step 3 as described in section 8.7 of this Explanatory Memorandum.

Name	JTG Shares in which a relevant interest will be acquired*	Total number of JTG Shares in which a relevant interest will be held*	Voting power following acquisition*
The EV Controlling Entities and the GVH Entities	22,671,824	346,893,704	79%
The CVC Group Entities (as defined in this Explanatory Memorandum)	22,671,824	219,552,978	79%
The UBSAHL Controlling Entities	22,671,824	346,893,704	79%
The Qantas Controlling Entities (as defined in this Explanatory Memorandum)	22,671,824	150,012,550	34.2%
JTG	22,671,824	150,012,550	34.2%

* It is intended that Steps 1 – 4 or Steps 1, 3 and 4 (as described in section 8.7 of this Explanatory Memorandum) will occur simultaneously. Accordingly, the total number of JTG Shares in which a relevant interest will be held or in respect of which voting power arises is as set out in section 8.7 of this Explanatory Memorandum.'

Notice of Meeting continued

Voting exclusion statement

Item 7 of section 611 of the Corporations Act requires that no votes be cast in favour of Resolution 3 by: (1) the the EV Controlling Entities, the CVC Group Entities, the GVH Entities, the UBSAHL Controlling Entities, JTG and any of their Associates; and (2) the Qantas Controlling Entities including Qantas (through QH Tours) and any of their Associates.

RESOLUTION 4: ACQUISITION OF RELEVANT INTEREST IN STELLA PARTY ESCROW SHARES

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

> *'Subject to Resolution 1 being passed, for the purposes of section 611 item 7 of the Corporations Act 2001 (Cth) and for all other purposes, the members of JTG approve the acquisition by each entity listed below of a relevant interest in a number of JTG Shares equal to the number set out against their name as a result of JTG's power to exercise control over the disposition of such number of JTG Shares under the escrow deeds to be entered into between JTG and each of SGH, GVH, EV and UBSAHL* (the ***Stella Parties***) *under Step 4 as described in section 8.7 of this Explanatory Memorandum.*

Name	JTG Shares in which a relevant interest will be acquired*	Total number of JTG Shares in which a relevant interest will be held*	Voting power following acquisition*
The Qantas Controlling Entities (including QH Tours)	196,881,154 JTG Shares less a number of JTG Shares equal to £50,000,000 in value (as calculated on the day immediately prior to Completion) (**Stella Party Escrow Shares Formula**)	150,012,550 and such number of JTG Shares as is determined by the Stella Party Escrow Shares Formula	Unable to be ascertained at the date of this Explanatory Memorandum
JTG	Such number of JTG Shares as is determined by the Stella Party Escrow Shares Formula	150,012,550 and such number of JTG Shares as is determined by the Stella Party Escrow Shares Formula	Unable to be ascertained at the date of the Explanatory Memorandum

* It is intended that Steps 1 – 4 or Steps 1, 3 and 4 (as described in section 8.7 of this Explanatory Memorandum) will occur simultaneously. Accordingly, the total number of JTG Shares in which a relevant interest will be held or in respect of which voting power arises is as set out in section 8.7 of this Explanatory Memorandum.'

Voting exclusion statement

Item 7 of section 611 of the Corporations Act requires that no votes be cast in favour of Resolution 4 by the Qantas Controlling Entities including Qantas (through QH Tours), JTG and any of their Associates.

RESOLUTION 5: ACQUISITION OF RELEVANT INTEREST IN BUFFER SHARES BY UBS ENTITIES

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

'Subject to Resolution 1 being passed, for the purposes of section 611 item 7 of the Corporations Act 2001 (Cth) (as modified by ASIC Instrument 10-0668 on 27 July 2010) and for all other purposes, the members of JTG approve the acquisition by the UBS Entities (as defined in the Explanatory Memorandum) of up to 13,173,178 JTG Shares, as described in the Explanatory Memorandum, which will result in the acquisition by each entity listed below of a relevant interest in a number of JTG Shares equal to the number set out against their name:

Name	Maximum number of JTG Shares in which a relevant interest will be acquired	Maximum total number of JTG Shares in which a relevant interest will be held	Maximum voting power following acquisition
EV	Nil	346,893,704	82%
The UBSAHL Controlling Entities	13,173,178	360,066,882	82%
The UBS Group Entities	13,173,178	210,054,332	82%'

Voting exclusion statement

Item 7 of section 611 of the Corporations Act requires that no votes be cast in favour of Resolution 5 by, the UBS Entities and any of their Associates.

RESOLUTION 6: ELECTION OF ANDREW CUMMINS

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

'That, subject to Resolution 1 being passed and completion under the Merger Implementation Agreement, Andrew Cummins, being eligible for election and whose appointment is recommended by the JTG Board, be elected a director of the Company with effect from completion under the Merger Implementation Agreement.'

RESOLUTION 7: ELECTION OF ADRIAN MACKENZIE

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

'That, subject to Resolution 1 being passed and completion under the Merger Implementation Agreement, Adrian MacKenzie, being eligible for election and whose appointment is recommended by the JTG Board, be elected a director of the Company with effect from completion under the Merger Implementation Agreement.'

RESOLUTION 8: ELECTION OF MICHAEL RICHES

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

'That, subject to Resolution 1 being passed and completion under the Merger Implementation Agreement, Michael Riches, being eligible for election and whose appointment is recommended by the JTG Board, be elected a director of the Company with effect from completion under the Merger Implementation Agreement.'

RESOLUTION 9: IMPLEMENTATION OF EMPLOYEE SHARE PLAN

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

'That, for the purposes of rule 28.1 of the constitution of the Company, the JTG Board be authorised to implement an employee share plan under which shares in the Company may be issued to employees of SGH, Stella Travel and its subsidiaries on the terms of, and subject to the conditions specified in, the Stella Management Employee Share Scheme Deed (as defined in this Explanatory Memorandum).'

RESOLUTION 10: APPROVAL OF FINANCIAL ASSISTANCE

To consider and, if thought fit, to pass the following resolution as a special resolution:

'That, for the purposes of section 260B of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the Company to give financial assistance, as described in this Explanatory Memorandum, in connection with the acquisition of JTG Shares by the Stella Parties and the Stella Option Holders (as listed in Annexure A) as a result of the provision of a guarantee by the Company in support of the liabilities and obligations owed under and, in connection with, the facility agreement dated 31 July 2009 among and between the Stella group (as borrower and guarantors), UBS AG (as financier and facility agent) and UBS Nominees Pty Limited (as security trustee) as it is proposed to be amended and restated in connection with the Merger Proposal (as defined in this Explanatory Memorandum).'

Notice of Meeting continued

Voting exclusion statement

Section 260B(1)(a) of the Corporations Act requires that no votes be cast in favour of Resolution 10 by the Stella Parties and the Stella Option Holders and any of their associates.

Notes

1. Explanatory Memorandum

These notes form part of the Notice of Meeting. JTG Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

2. Voting

JTG has determined, in accordance with the *Corporations Regulations 2001* (Cth), that the JTG Shares quoted on the ASX at 7.00pm (Sydney time) on 4 September 2010, will be taken for the purposes of the General Meeting to be held by the persons who held them at that time. Accordingly (and having regard to the operation of the Corporations Act described above), those persons will be entitled to attend and vote at the General Meeting.

3. Voting by proxy and corporate representative

A proxy form accompanies this Notice of Meeting. Instructions for completion are included on the proxy form.

A JTG Shareholder entitled to attend and vote at the General Meeting may appoint a proxy. A JTG Shareholder who is entitled to cast two or more votes, may appoint up to two proxies to attend the General Meeting and vote on behalf of the JTG Shareholder. A proxy need not be a JTG Shareholder. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion or number of the JTG Shareholder's votes. If no such proportion is specified, each proxy may exercise half of the JTG Shareholder's votes. A proxy form, as approved by the JTG Board, has been included in the material mailed to you for the General Meeting.

A proxy form must be signed by a JTG Shareholder (or his/her attorney) and does not need to be witnessed. If the JTG Shareholder is a corporation, the proxy form must be executed in accordance with that corporation's constitution or by a duly authorised attorney.

In the case of joint holders of JTG Shares any one of such persons may vote at the General Meeting as if he or she were solely entitled thereto. But if more than one of such joint holders tenders a vote, the vote of the senior who tenders a vote (whether in person or by proxy or by attorney or howsoever) shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the JTG Share Register.

The proxy form and any power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Share Registrar or JTG's Registered Office no later than 10.00am (Sydney time) on 4 September 2010, or if the General Meeting is adjourned, at least 48 hours before the resumption of the General Meeting in relation to the resumed part of the meeting:

Postal deliveries:	**Computershare Investor Services Pty Ltd** GPO Box 242 Melbourne Victoria 3001 Australia
	or
	The Company Secretary Jetset Travelworld Limited Level 28, Australia Square 264 George Street Sydney NSW 2000
Fax number:	**Jetset Travelworld Limited** +61 2 8080 3199
	or
	Computershare Investor Services Pty Ltd (within Australia) 1800 783 447 (outside Australia) + 61 3 9473 2555

Notice of Meeting continued

A proxy may decide whether to vote on a resolution, except where the proxy is required by law or JTG's constitution to vote or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote as he or she thinks fit. If a JTG Shareholder appoints two proxies, neither may vote on a show of hands.

If a JTG Shareholder appoints the Chairman of the General Meeting as the JTG Shareholder's proxy and does not specify how the Chairman is to vote on an item of business, the Chairman intends to vote, as proxy for the JTG Shareholder, in favour of that item.

A body corporate may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case JTG will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with JTG and/or the Share Registrar, Computershare Investor Services, before the General Meeting or at the registration desk on the day of the General Meeting. Certificates of appointment of corporate representatives are available at www.computershare.com or on request by contacting Computershare Investor Services on telephone number 1300 850 505.

Enquiries

JTG Shareholders are invited to contact the Company Secretary, Stephen Heesh, on (02) 8080 3150 (from within Australia) or +61 2 8080 3150 (from outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday, if they have any queries in respect of the matters set out in these documents.

By order of the JTG Board

Stephen Heesh
Company Secretary
Dated 28 July 2010

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Glossary

$ or A$	means Australian dollars.
AASB 3	means AASB 3 Business Combinations.
ACCC	means the Australian Competition and Consumer Commission.
American Express	means American Express Limited (a Delaware corporation).
ASIC	means Australian Securities and Investments Commission.
Associate	has the meaning given in section 12(2) of the Corporations Act.
ASX	means ASX Limited (ABN 98 008 624 691).
ATS Pacific	means ATS Pacific Pty Limited (ABN 61 003 683 967).
Australian Accounting Standards	means the Australian Accounting Standards as issued by the Australian Accounting Standards Board.
Australian Auditing Standards	means the Australian Auditing Standards as issued by the Auditing and Assurance Standards Board.
BBSY	means for a period, the average of the bid rates shown at approximately 10.30am (Sydney time) on page 'BBSY' on the Reuters screen on the first day of that period for a term equal to the period or such other rate as determined by the facility agent if the rate is not displayed or the basis of the rate is changed.
Best Flights	means Best Flights Pty Limited (ABN 44 095 507 010).
BKBM	means for a period, the average of the bank bill "settlement" bid rates shown at approximately 10.45am (New Zealand time) on page 'BKBM' on the Reuters Screen for bank accepted NZ bills on the first day of that period for a term equal to the period or such other rate as determined by the facility agent if the average rate is unable to be determined or the basis of the rate is changed.
Buffer Shares	means the 13,173,178 JTG Shares the subject of the approval to be sought under Resolution 5 at the General Meeting.
Business Day	means a day that is not a Saturday, Sunday, bank holiday or public holiday in New South Wales, Australia.
Completion	means completion of the Merger Proposal.
Completion Date	means the last day of the month in which Completion occurs.
Consideration Shares	means the 196,881,154 JTG Shares to be issued to SGH under the Merger Implementation Agreement.
Control	has the meaning given to that term in section 50AA of the Corporations Act (and **Controlled** and **Controlling** have corresponding meanings).
Controlled Entities	means, in relation to an entity, any other entity which is Controlled by that first entity.
Controlling Entities	means, in relation to an entity, any other entity which Controls that first entity.
Co-ordination Deed	means the co-ordination deed entered into between EV, GVH and UBSAHL in connection with their respective holdings of JTG Shares on 12 May 2010.
Corporations Act	means the *Corporations Act 2001* (Cth).
CVC	means any of CVC Capital Partners and its Controlled Entities.

Glossary continued

CVC Asia Pacific	means CVC Asia Pacific Limited.
CVC Asia III	means CVC Asia Pacific Fund III.
CVC Capital Partners	means CVC Capital Partners SICAV-FIS S.A.
CVC Entities	means CVC Capital Partners and its Controlled Entities (excluding the GVH Entities).
CVC Group Entities	means the Controlled Entities of CVC Capital Partners (excluding the EV Controlling Entities and the GVH Entities).
EBITDAI	means earnings before interest expense and income tax, depreciation, amortisation and impairment expenses.
Enlarged JTG Group Pro-Forma Financial Information	means the Enlarged JTG Group Pro-Forma Forecast Income Statement and the Enlarged JTG Group Pro-Forma Historical Balance Sheet.
Enlarged JTG Group Pro-Forma Forecast Income Statement	means the pro-forma consolidated forecast income statement of the enlarged JTG Group for the year ended 30 June 2010.
Enlarged JTG Group Pro-Forma Historical Balance Sheet	means the pro-forma consolidated historical balance sheet of the enlarged JTG Group as at 31 December 2009.
Escrow Deeds	means the Qantas Escrow Deed, the Stella Party Escrow Deeds and the Stella Option Holder Escrow Deeds.
EV	means Europe Voyager NV.
EV Controlling Entities	means EV and its Controlling Entities.
EV Escrow Deeds	means the escrow deeds between the Stella Option Holders and EV.
EV Sarl	means Europe Voyager Holdings Sarl.
EV Shares	118,068,377 JTG Shares, proposed to be transferred from GVH to EV.
Explanatory Memorandum	means this document.
Facility Agreement	means the facility agreement dated 31 July 2009 among and between the Stella Group (as borrower and guarantors), UBS AG (as financier and facility agent) and UBS Nominees Pty Limited (as security trustee).
FATA	means *Foreign Acquisitions and Takeovers Act 1975* (Cth).
FIRB	means the Foreign Investment Review Board.
FY09	means the financial year ended 30 June 2009.
FY10	means the financial year ended 30 June 2010.
General Meeting	means the general meeting of JTG Shareholders convened by the JTG Directors to consider and vote on the Resolutions.
General Partner	means CVC Capital Partners Asia III Limited.
Grant Samuel	Grant Samuel Corporate Finance Pty Limited (ABN 84 076 176 657).
GVH	means Global Voyager Holdings Pty Limited (ABN 94 128 878 553).

Glossary continued

GVH Entities	means GVH, Global Voyager Pty Limited (ABN 18 128 878 606), Stella Holdings No 1 Pty Limited (ACN 125 517 900), Stella Holdings No 2 Pty Limited (ACN 125 520 630), Stella Holdings No 3 Pty Limited (ACN 125 521 913) and SGH.
GVH Group	means the GVH Entities and the Stella Group.
H1 FY10	means the six months ended 31 December 2009.
H2 FY09	means the six months ended 30 June 2009.
H2 FY10	means the six months ended 30 June 2010.
Harvey Holidays	means Harvey Holidays Pty Limited (ABN 13 061 284 866).
Holding Period	means the period 24 months from the Completion Date.
Independent Expert or **Deloitte**	means Deloitte Corporate Finance Pty Limited (ABN 19 003 833 127).
Independent Expert's Report	means the report prepared by Deloitte which is contained in section 12.
Initial Release Date	means the date which is 15 months after the Completion Date.
Joint Information	has the meaning given in the 'Important Notice' section of this Explanatory Memorandum.
JTG	means Jetset Travelworld Limited (ABN 60 091 214 998).
JTG Board	means the board of directors of JTG.
JTG Directors or **Directors**	means the directors of JTG.
JTG Group	means JTG and its Subsidiaries.
JTG Group Financial Information	means the JTG Group Pro-Forma Historical Income Statements, JTG Group Pro-Forma Historical Balance Sheet, JTG Group Pro-Forma Income Statement and JTG Group Statutory Forecast Income Statement.
JTG Group Forecast Income Statements	means the JTG Group Pro-Forma Forecast Income Statement together with the JTG Group Statutory Forecast Income Statement.
JTG Group Pro-Forma Forecast Income Statement	means the pro-forma consolidated forecast income statement of the JTG Group for the year ended 30 June 2010.
JTG Group Pro-Forma Historical Balance Sheet	means the pro-forma consolidated historical balance sheet of the JTG Group as at 31 December 2009.
JTG Group Pro-Forma Historical Income Statements	means the pro-forma consolidated historical income statements of the JTG Group for the year ended 30 June 2009, and for the six months ended 31 December 2009.
JTG Group Pro-Forma Income Statements	means the JTG Group Pro-Forma Forecast Income Statement and the JTG Group Pro-Forma Historical Income Statements.
JTG Group Statutory Forecast Income Statement	means the statutory consolidated forecast income statement of the JTG Group for the year ended 30 June 2010.
JTG Information	has the meaning given in the 'Important Notice' section of this Explanatory Memorandum.
JTG's Registered Office	means Level 28, Australia Square, 264 George Street, Sydney NSW 2000.

Glossary continued

JTG Shareholder	means a person who is registered in the JTG Share Register as the holder of JTG Shares.
JTG Share Register	means the register of JTG Shareholders maintained by Computershare Investor Services.
JTG Shares	means ordinary shares in the capital of JTG.
KPMG	means KPMG (ABN 51 194 660 183).
KPMG Transaction Services Investigating Accountant's Report	means the report prepared by KPMG Transaction Services which is contained in section 7.1.
KPMG Transaction Services	means KPMG Transaction Services (Australia) Pty Limited (ABN 65 003 891 718).
Listing Rules	means the listing rules of the ASX.
Mantra Group	means Mantra Group Holdings I Pty Limited (ABN 69 137 639 395) and its Subsidiaries.
Market Value	means the aggregate volume average weighted price of JTG Shares over the previous 10 Business Days as at the Initial Release Date.
Merger Agreements	means the Merger Implementation Agreement and the Stella Management Acquisition Deeds.
Merger Implementation Agreement	means the merger implementation agreement between JTG, SGH, GVH, EV and UBSAHL dated 12 May 2010 (as amended).
Merger Proposal	means the proposed acquisition by JTG of all of the Stella Shares and Stella Preference Shares on issue in consideration for the allotment and issue of JTG Shares to SGH and the Stella Option Holders under the Merger Agreements as further described in section 2.
Non-associated JTG Shareholders	means those JTG Shareholders who are not Associates of any of the Stella Parties for the purposes of item 7 of section 611 of the Corporations Act or otherwise excluded from voting on the Resolutions under the Listing Rules.
Non Committed Shares	means any JTG Shares held by EV and UBSAHL, during the 24 months from the Completion Date, that are not subject to escrow or collateralisation restrictions (to the extent any such JTG Shares exist).
Notice of Meeting	means the notice of general meeting contained in this Explanatory Memorandum.
Notional Market Value	means the product of 0.99 and the volume weighted average price of JTG Shares over the five Business Days immediately prior to the date on which notice of a claim under the Merger Implementation Agreement is served.
Option Holder Shares	means the 22,671,824 JTG Shares to be issued to the Stella Option Holders on the terms of the Stella Management Acquisition Deeds.
Outstanding Claims Value	means the value of all claims which have been initiated by JTG but not concluded (whether by settlement, judgment or otherwise) at the Initial Release Date, to the extent those claims have been confirmed as reasonable by Senior Counsel.
Post Merger Transfers	means the intended transfers of JTG Shares from SGH to GVH and then in turn to EV and UBSAHL described in section 6.1.

Glossary continued

PricewaterhouseCoopers	means PricewaterhouseCoopers (ABN 52 780 433 757).
PricewaterhouseCoopers Securities	means PricewaterhouseCoopers Securities Limited (ABN 54 003 311 617).
PricewaterhouseCoopers Securities Investigating Accountant's Report	means the report prepared by PricewaterhouseCoopers Securities on the Stella Group Financial Information which is contained in section 7.2.
Qantas	means Qantas Airways Limited (ABN 16 009 661 901).
Qantas Business Travel or **QBT**	means Qantas Business Travel Pty Ltd (ABN 50 128 382 187).
Qantas Controlling Entities	means QH Tours and its Controlling Entities.
Qantas Entities	means Qantas and its Subsidiaries (excluding JTG).
Qantas Escrow Deed	means the voluntary escrow deed to be entered into between JTG and QH Tours.
Qantas Escrow Shares	means the 127,340,726 JTG Shares escrowed under the Qantas Escrow Deed.
Qantas Group	means Qantas and its Subsidiaries.
Qantas Holidays	means Qantas Holidays Ltd (ABN 24 003 836 459).
Qantas Superannuation Plan	means the superannuation plan known as 'The Qantas Superannuation Plan' (ABN 41 272 198 829).
QH Tours	means Q H Tours Limited (ABN 81 001 262 433), being the Qantas Group company holding JTG Shares.
Reference Shares	means the Consideration Shares less the number of JTG Shares that are retained by EV and UBSAHL in order to satisfy arrangements with the Civil Aviation Authority of the United Kingdom.
Resolutions	means the resolutions set out in the Notice of Meeting.
Restated and Amended Facility Agreement	means the Facility Agreement as it is proposed to be amended and restated in connection with the Merger Proposal.
Separation Agreements	means the agreements between JTG and Qantas Group outlined in section 8.6.2.
SGH	means Stella Group Holdings Pty Ltd (ABN 59 125 522 410).
Share Registrar or **Computershare Investor Services**	means Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Stella Debt	means all amounts owing by the Stella Group under the Facility Agreement.
Stella Directors	means the directors of Stella Travel.
Stella Group	means Stella Travel and its Subsidiaries.
Stella Group Financial Information	means the Stella Group Pro-Forma Historical Balance Sheet, the Stella Group Pro-Forma Forecast Income Statements, and the Stella Group Pro-Forma Historical Income Statements.

Glossary continued

Stella Group Pro-Forma Forecast Income Statements	means the pro-forma consolidated forecast income statement of the Stella Group for the year ended 30 June 2010 and the six months ended 30 June 2010.
Stella Group Pro-Forma Historical Balance Sheet	means the pro-forma consolidated historical balance sheet of the Stella Group as at 31 December 2009.
Stella Group Pro-Forma Historical Income Statements	means pro-forma consolidated historical income statements of the Stella Group for the year ended 30 June 2009, and for the six months ended 31 December 2009.
Stella Information	has the meaning given in the 'Important Notice' section of this Explanatory Memorandum.
Stella Management Acquisition Deeds	means the Stella Management Employee Share Scheme Deed and the Stella Management Excluded Share Offer Deed.
Stella Management Employee Share Scheme Deed	means the deed of that name between JTG and Stella Option Holders that are employees of the Stella Group.
Stella Management Excluded Share Offer Deed	means the deed of that name between JTG and the Stella Option Holders that are companies or trustees of a trust that are affiliated with employees of the Stella Group (as amended and restated).
Stella Options	means options over Stella Shares.
Stella Option Holders	means the holders of Stella Options listed in Annexure A.
Stella Option Holder Escrow Deeds	means the escrow deeds to be entered into by JTG and each of the Stella Option Holders.
Stella Option Holder Escrow Shares	means the 22,671, 824 JTG Shares to be escrowed under the Stella Option Holder Escrow Deeds.
Stella Parties	means SGH, GVH, EV and UBSAHL.
Stella Party Escrow Deeds	means the escrow deeds to be entered into between JTG and each of the Stella Parties.
Stella Party Escrow Shares	means the JTG Shares to be escrowed under the operation of the Stella Party Escrow Shares Formula.
Stella Party Escrow Shares Formula	means the Consideration Shares less a number of JTG Shares equal to £50,000,000 in value (as calculated on the day immediately prior to Completion).
Stella Preference Shares	means fully paid preference shares in the capital of Stella Travel.
Stella Shares	means fully paid ordinary shares in the capital of Stella Travel.
Stella Travel	means Stella Travel Services Holdings Pty Ltd (ABN 47 138 225 288).
Stella Travel Services or **STS**	means Stella Travel Services Group Pty Limited (ABN 52 097 772 702).
Stella US Group	means Concord International Travel, Inc. and Stella Travel Services USA, Inc.
Stella Vendors	means SGH and the Stella Option Holders.
STS Group	means STS and its Subsidiaries.
Subsidiaries	has the meaning given in section 9 of the Corporations Act.

Glossary continued

Tax Warranty	means the warranty provided by SGH to JTG under the terms of the Merger Implementation Agreement in connection with certain tax issues.
Travelscene	means Travelscene Pty Limited (ABN 61 001 763 819).
Treasurer	means the Treasurer of the Commonwealth of Australia.
TTV	means total transaction value.
UBS AG	means UBS AG.
UBSAHL	means UBS Australia Holdings Ltd (ABN 75 003 059 498).
UBSAHL Controlling Entities	means UBSAHL and its Controlling Entities.
UBS Entities	means UBS AG and its Controlled Entities and any body corporate or managed investment scheme in which UBS AG or any of its Controlled Entities has voting power (having the meaning given in section 610 of the Corporations Act) in excess of 20%.
UBS Group Entities	means the UBS Entities (excluding the UBSAHL Controlling Entities).
UBS Shares	means the 78,812,777 JTG Shares proposed to be transferred from GVH to UBSAHL.

Deloitte.

Jetset Travelworld Limited

Independent expert's report and Financial Services Guide

28 July 2010

Deloitte Corporate Finance Pty Limited
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Financial services guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

What financial services are we licensed to provide?

We are authorised to provide general financial product advice or to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes and government debentures, stocks or bonds.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs. If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits. All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance. We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Neither we, Deloitte Touche Tohmatsu, nor any partner or executive or employee thereof has any financial interest in the outcome of the Proposed Merger which could be considered to affect our ability to render an unbiased opinion in this report. Deloitte will receive a fee of $415,000 exclusive of GST in relation to the preparation of this report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the success or otherwise of the Proposed Merger.

The following represents a summary of work performed by Deloitte and Deloitte Touche Tohmatsu for JTG, Stella Travel and Qantas over the past two years:

- JTG – a range of co-sourced internal audit support projects
- Stella Travel – no services provided
- Qantas – a wide range of management consulting and taxation related services. None of these services related to any advice in relation to the Proposed Merger.

Associations and relationships

We are ultimately owned by the Deloitte member firm in Australia (Deloitte Australia). Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms. We and Deloitte Australia (and other entities related to Deloitte Australia):

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- may provide professional services to issuers of financial products in the ordinary course of business.

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If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below. If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

10 February 2010
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The Directors
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28 July 2010

Dear Directors

Independent expert's report

Introduction

Jetset Travelworld Limited (JTG) operates one of Australia's largest integrated travel businesses, providing wholesale, retail and specialist business travel products and services across Australia. It operates under brands including Jetset, Travelworld, Orient Pacific, Qantas Business Travel (QBT) and Qantas Holidays. Qantas Airways Limited (Qantas) currently has a 58% interest in JTG with the remainder owned by Sintack Pty Limited and associated entities (Sintack) (25.2%) and minority shareholders (16.8%).

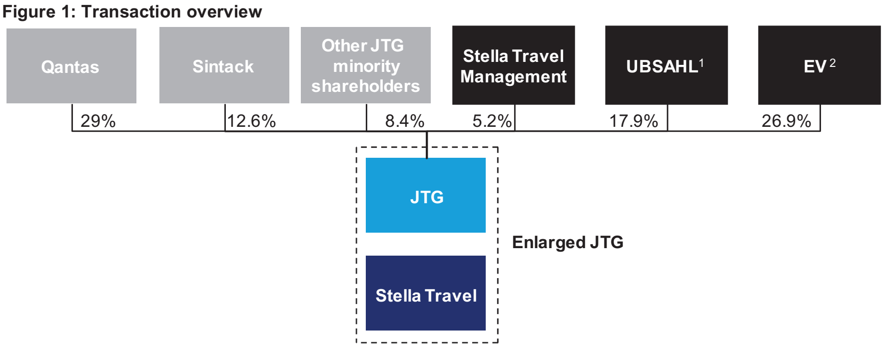
Stella Travel Services Holdings Pty Limited (Stella Travel) is a leading travel business comprising Stella Travel Services Australia/New Zealand. Stella Travel's footprint covers more than 1,500 retail and corporate travel outlets, on-line travel platforms, airline representation and ticketing agencies and wholesale holiday brands. It operates under brands which include Harvey World Travel (HWT), Travelscene American Express (Travelscene) and Bestflights. Funds advised by CVC Asia Pacific acquired an interest in the businesses comprising Stella Travel and Mantra Group (formerly Stella Hospitality Group) in February 2008. Stella Travel was restructured and separated from Mantra Group in July 2009. Following the restructure, UBS Australia Holdings Limited (UBSAHL) became a shareholder in the business. Forty members of Stella Travel's management also hold equity interests in the company (in the form of options).

On 12 May 2010 (Announcement Date) the directors of Stella Travel and JTG announced a proposal whereby JTG and Stella Travel would merge their businesses and JTG would issue 219.5 million shares to the existing shareholders of Stella Travel and the members of Stella Travel's management who currently own options in Stella Travel (Proposed Merger). Stella Travel management must convert their options into Stella Travel shares before completion of the Proposed Merger. The resulting Stella Travel shares will be acquired by JTG in return for a new issue of JTG shares such that Stella Travel management will have a 5.2% interest in the enlarged JTG group (Enlarged JTG).

Member of Deloitte Touche Tohmatsu

If the Proposed Merger proceeds, existing Stella Travel and JTG shareholders will each have a 50% interest in the enlarged group (Enlarged JTG) as set out in the following figure:

Figure 1: Transaction overview



Source: Deloitte Corporate Finance analysis

Note:

1. UBSAHL = UBS Australia Holdings Limited. See description in Section 1.5.1 of this report
2. EV =Europe Voyager NV. See description in Section 1.5.1

JTG currently has a number of commercial arrangements with Qantas in respect of shared services, intellectual property and supply of air travel and other services. Conditional on the Proposed Merger proceeding, new commercial agreements between Qantas and JTG have been negotiated which management of JTG argue reflect a range of improved terms so far as JTG is concerned when compared to the existing arrangements.

Purpose of the report

As a result of the Proposed Merger, certain shareholders of Stella Travel will increase their economic interests in JTG from below the 20% threshold to above 20% which will require JTG shareholder approval in accordance with item 7 of Section 611 of the Corporations Act 2001 Cth (Section 611).

The directors of JTG (the Directors) have asked Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) to prepare an independent expert's report (the IER) for the benefit of JTG shareholders (JTG Shareholders) which includes an opinion as to whether the Proposed Merger is fair and reasonable to, and in the best interests of, JTG Shareholders.

We have prepared this report having regard to Section 611 and the relevant Australian Securities & Investments Commission (ASIC) regulatory guides.

This report is to be included in an explanatory memorandum to be sent to JTG shareholders (Explanatory Memorandum) and has been prepared for the exclusive purpose of assisting JTG Shareholders in their consideration of the Proposed Merger. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

Basis of evaluation

There is no specific guidance on how to determine whether the Proposed Merger is in the best interests of JTG Shareholders. In order to assess whether the Proposed Merger is in the best interests of JTG Shareholders, we have adopted the test of whether the Proposed Merger is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111 (RG 111).

RG 111 defines an offer as being fair if the fair market value of the offer price is equal to or greater than the value of the securities subject of the offer. Whilst this comparison is often made assuming 100% ownership of the target company, paragraph 28 of RG 111 states that "the expert may need to assess whether a scrip takeover is in effect a merger of 'entities of equivalent value' when control of the merged entity will be shared equally between the bidder and the target. In this case, the expert may be justified in using an equivalent approach to valuing the securities of the bidder and the target".

We consider that the Proposed Merger is in substance a 'merger of equals' based on the following factors:

- *the Proposed Merger ratio*: the merger ratio reflects an equal 50% ownership interest by the existing shareholders of JTG and Stella Travel
- *similarity and size of businesses:* both JTG and Stella Travel operate in broadly similar sectors of the travel services industry with a footprint across retail, wholesale, corporate and on-line segments which are of a similar size and scale
- *board and management representation:* following the implementation of the Proposed Merger, the board of Enlarged JTG will have nine directors including two independent directors (including the Chairman), the CEO of Enlarged JTG, two Qantas nominees, two EV nominees, one UBSAHL nominee and one nominated by Sintack. Tom Dery, the current chairman of JTG, will be the chairman of Enlarged JTG. The senior management team will be composed predominantly of representatives from Stella Travel
- *composition of shareholding:* if the Proposed Merger is implemented no single shareholder will have a controlling interest (defined as an interest representing more than 50% of the shares) in Enlarged JTG.

We have assessed whether the Proposed Merger is fair by assessing whether the relative shareholdings in Enlarged JTG (the merger ratio) fairly reflects the pre-merger values of JTG and Stella Travel on a minority basis. We have assessed whether the Proposed Merger is reasonable and therefore in the best interests of JTG Shareholders by considering whether the advantages to JTG Shareholders of the Proposed Merger proceeding outweigh the disadvantages.

We have also considered the specific requirements of RG 111 in respect of evaluating a transaction conducted pursuant to item 7 of Section 611, in particular we have considered whether there is any premium for control implicit in the terms of the Proposed Merger.

Summary and conclusion

In our opinion the Proposed Merger is fair and reasonable and therefore in the best interests of JTG Shareholders. In arriving at this opinion, we have had regard to the following factors:

The Proposed Merger is fair

In order to assess whether the Proposed Merger is fair we have compared our assessed values of JTG and Stella Travel (on a minority basis) to the terms of the Proposed Merger as set out below.

Table 1: Assessment of the merger ratio

		JTG		Stella Travel	
		Low	High	Low	High
FY10 normalised EBITDA	($'m)	12.2	12.2	21.1	21.1
Assessed multiple	(times)	8.0	9.0	8.5	9.5
Assessed enterprise value	($'m)	**97.6**	**109.8**	**179.4**	**200.5**
Net (debt)/cash	($'m)	35.8	35.8	(47.1)	(47.1)
Assessed equity value	($'m)	**133.4**	**145.6**	**132.3**	**153.4**
Intrinsic value contribution	%	50.2%	48.7%	49.8%	51.3%
Proposed Merger terms	%	**50%**		**50%**	

Source: Deloitte Corporate Finance analysis

Note: table subject to rounding

As the proportion of Enlarged JTG that will be owned by existing JTG shareholders is in line with our assessed range of the proportion of value contributed to Enlarged JTG by JTG, it is our opinion that the Proposed Merger is fair. We have also considered the merger ratio implied utilising earnings assumptions beyond FY10 as set out in the business plans for JTG and Stella Travel and this approach results in similar ratios of relative contributed intrinsic value to those set out above.

At the low end of our valuation range the contribution of intrinsic value by JTG of 50.2% is marginally higher than the 50% share in Enlarged JTG to be received by JTG shareholders. Notwithstanding the merger ratio may be considered to be marginally not fair to JTG shareholders at the low end of our valuation range, we do not consider this to be material to our overall assessment that the relative value contributions are in line with the merger ratio and that the Proposed Merger is fair.

We note that our assessed fair market value of JTG is below the prices observed in recent trading of JTG shares. However we do not consider this to be unreasonable since:

- the lack of liquidity and significant shareholdings of JTG which limits the relevance of share trading prices as a measure of the underlying fair market value of a JTG share. In addition, JTG is not covered by any sell side research analysts

- trading in JTG shares subsequent to the Announcement Date reflect the extent that the market may be pricing in any perceived benefits for JTG as a consequence of the Proposed Merger. We do not consider that prices observed prior to the Announcement Date are a relevant benchmark for comparison as share prices of travel service companies, and the market as a whole, have declined significantly since then due to the impact of increased uncertainty in respect of global economic prospects
- a large portion of the movement in earnings for FY10 for JTG was as a consequence of QBT moving to a loss position. The full extent of these losses and the uncertain outlook for this business may not be fully priced in to the JTG share price
- we have had access to the current financial results for JTG including a range of normalisation adjustments to JTG's earnings. This information is not publicly known and therefore would not be reflected in JTG's share trading.

Approach

We have estimated the fair market value of JTG and Stella Travel using the capitalisation of maintainable earnings method, which estimates the value of a business by capitalising its maintainable earnings with an appropriate earnings multiple.

We have selected earnings before interest, tax, depreciation and amortisation (EBITDA) as an appropriate measure of earnings for both JTG and Stella Travel because earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation, accounting policies and effective tax rates than multiples based on earnings before interest and tax (EBIT) or net profit after tax (NPAT).

Many operators in the travel services sector, particularly in the wholesale sector, receive a positive working capital benefit from the time lag between the receipt of cash from clients and the payment of suppliers which allows them to earn an investment return on this cash over the holding period. Accordingly, interest income earned on client cash is considered to be operational in nature and can be a material component of revenue generated for these companies. We have therefore included interest on client cash in the normalised EBITDA of JTG and Stella Travel (and have ensured the multiples adopted are on a consistent basis).

We have adopted normalised forecast earnings for JTG and Stella Travel for the year ending 30 June 2010 (FY10) for the purpose of our valuation as this is the most up to date reliable measure of earnings at the current date.

The recent earnings of both JTG and Stella Travel have been adversely affected by the significant decline in the value of travel due to the impact of the global financial crisis as well as recent structural changes in the sector caused by the increasing relevance of direct channels and on-line competitors. Both companies are expected to experience a substantial recovery in earnings beyond FY10 due to market factors and specific initiatives being undertaken by each company. We have considered the potential growth above the relatively depressed level of earnings experienced in FY10 in our selection of an appropriate earnings multiple for JTG and Stella Travel. We consider that this approach allows for a consistent treatment of earnings for both companies due to the inherent difficulty in forecasting longer term earnings in this sector.

The FY10 earnings for JTG include operating losses of $3.6 million in respect of QBT. These losses are due to a combination of reduced volumes, revised compensation structures and declining margins in the sector coupled with QBT's relatively high cost structure. It is anticipated that while there are restructuring plans in place, operating losses will continue for the medium term. If the Proposed Merger proceeds, Qantas has agreed to provide a credit of up to $3.7 million to JTG to be applied against services to be provided by Qantas in the period from completion of the Proposed Merger to 30 June 2011.

Due to the high transaction volumes generated by QBT, continuation of the business is seen to be strategically important to enable growth across the JTG business and maximise volume based commission overrides from suppliers. In any event, closure of this business would result in significant costs which have been estimated by JTG management to be in excess of $30 million.

Having regard to these factors, as well as the potential restructuring and other alternatives for the business, we consider that it is appropriate to make no adjustment to JTG's normalised EBITDA and have effectively capitalised these expected ongoing losses based on the current state of, and future prospects for the business.

We have adopted earnings multiples for JTG and Stella Travel having regard to available market data and the factors specific to JTG and Stella Travel including the expected growth profile for each business.

We have applied a multiple of 8.0 times to 9.0 times FY10 EBITDA for JTG and 8.5 times to 9.5 times FY10 EBITDA for Stella Travel. The higher earnings multiple adopted for Stella Travel reflects:

- the higher expected earnings growth for Stella Travel relative to JTG expected from:
  - the cyclical upside in Stella Travel's airline representation business which has been particularly depressed during FY10 as a consequence of the adverse operating conditions for global airlines
  - additional leverage to the expected recovery in retail operations through Stella Travel's ticketing operations
  - further expansion of the Bestflights on-line platform
  - expansion of the wholesale operations of Stella Travel which are in the early stages of growth. In the absence of the Proposed Merger, this business will continue to compete directly with JTG's Qantas Holidays business and the retail agents associated with Stella Travel would likely be encouraged to switch their business from JTG's Qantas Holidays business over the longer term
  - relatively higher growth in Stella Travel's medium term projected EBITDA based on budgets and projections provided by management of JTG and Stella Travel.
- a lower risk profile of Stella Travel relative to JTG which reflects:
  - the relatively higher revenue diversification of the Stella Travel business by geography and business segment (through airline ticketing and representation)
  - in the absence of the Proposed Merger, JTG's wholesale business is significantly exposed to the loss of a proportion of one its largest customers, being the HWT franchise network.

The Proposed Merger is reasonable

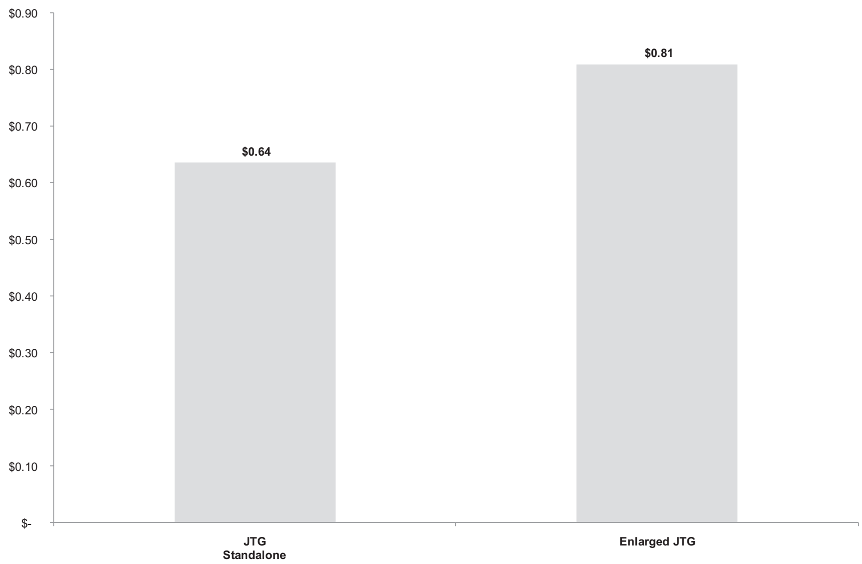
In order to assess the reasonableness of the Proposed Merger we have considered the following advantages and disadvantages of the Proposed Merger proceeding:

Advantages of the Proposed Merger

The merger will result in an increase in the underlying value of a JTG share

We have estimated the fair market value of a share in Enlarged JTG to be approximately 27% greater than the fair market value of a share in JTG on a stand-alone basis as set out below:

Figure 2: **Comparison of the midpoint assessed value of JTG and Enlarged JTG (minority basis)**



Source: Deloitte Corporate Finance analysis

Further detail in respect of the underlying assumptions of the above values are set out in Sections 8.4.1 and 9.2 respectively of our report.

However, this increase in value may or may not be reflected in the share trading of Enlarged JTG subsequent to the Proposed Merger due to:

- the lack of liquidity and significant shareholdings of JTG
- execution risks associated with the Proposed Merger proceeding and achieving the expected level of synergies. Whilst the cost savings included in our estimate of the fair market value of Enlarged JTG are considered to be relatively low risk, there remains a risk that the quantum of cost savings expected will not be realised or will not be achieved in the timeframe currently anticipated.

Stronger growth prospects relative to JTG on a stand-alone basis

The Proposed Merger provides an opportunity to integrate two complementary travel businesses to create a significantly stronger and larger travel services company combining the wholesale, retail, on-line and airline ticketing and representation offerings of JTG and Stella Travel.

JTG shareholders should benefit from the enhanced growth prospects for Enlarged JTG relative to JTG stand-alone due to:

- ***increased scale***: the retail franchise and affiliate business models of both JTG and Stella Travel will create enhanced economies of scale through:
  - significant increase in total transaction volumes (TTV) from $2.2 billion for JTG to $5.5 billion for Enlarged JTG, an increase of 150%
  - Enlarged JTG will be in a better position to realise economies of scale in the combined wholesale operations through improved pricing and inventory allocation from airline, accommodation and other travel suppliers
  - increase in the retail franchise and affiliate footprint from approximately 670 agents/stores for JTG to approximately 2,200 for Enlarged JTG. This additional scale for the retail business should allow for greater participation in volume overrides relative to JTG on a stand-alone basis. Additional scale may also enhance the ability to attract and retain agents
  - combining the on-line development activities of each business should allow Enlarged JTG to more effectively compete with other industry participants in this rapidly growing segment of the market.
- ***synergy benefits and enhanced commercial arrangements with Qantas***: JTG shareholders will participate in the following benefits for Enlarged JTG which should result in incremental cash flows:
  - annual synergy benefits from rationalising wholesale brands and reduced operating costs through integration of the wholesale and on-line businesses of Stella Travel and JTG
  - if the Proposed Merger proceeds, JTG will enter into a range of ancillary arrangements with Qantas. While Qantas will remain a large shareholder in Enlarged JTG, the new agreements have been negotiated by Stella Travel and are designed to assist Enlarged JTG to operate with a reduced degree of dependence on Qantas systems and position Enlarged JTG for future growth. These agreements are expected to provide improved benefits for JTG relative to the current arrangements with Qantas as a supplier of product, services and personnel to the group
  - through a combination of the cost savings expected to be realised from merging the businesses and the new agreements between JTG and Qantas that will be entered into if the Proposed Merger proceeds, JTG has estimated annual pre-tax benefits of at least $10 million which are expected to be achieved by 30 June 2012.

- ***defensive attributes of transaction***: the Proposed Merger enhances JTG's wholesale and retail offerings and protects JTG from a scenario in which, in the absence of the Proposed Merger, Stella Travel plans to grow its wholesale business which may adversely impact JTG's wholesale business. The increase in scale also provides Enlarged JTG greater ability to compete against other major travel agency participants such as Flight Centre and to defend against internet competition as a result of accessing the technology and development team of Bestflights
- ***diversification of revenue streams***: the Proposed Merger will provide JTG shareholders with exposure to other segments which may have a higher growth profile relative to JTG's more mature businesses including:
  - the air segment businesses of Stella Travel, including air tickets and airline representation which will minimise fee leakage for these services
  - exposure to international markets (including New Zealand, South Africa and US). As these markets have been slower to recover than the Australian market JTG shareholders will participate in any additional upside potential through a sustained recovery in these markets.

Improved ability to participate in a change of control transaction

In light of the 58% stake in JTG held by Qantas, it would be unlikely that JTG shareholders could realise a control premium except through a transaction supported by Qantas.

Accordingly, there may be limited alternative opportunities through which JTG shareholders will be able to realise a value in excess of the minority value of JTG. The Proposed Merger will result in Qantas' shareholding reducing to below 30% and therefore Qantas' ability to influence a control transaction for Enlarged JTG will reduce.

Qantas has stated that it will vote in favour of the Proposed Merger assuming the relevant conditions (as discussed below) are satisfied.

The escrow arrangements applying to the major shareholders of Enlarged JTG limit the sale of their shares for a period of fifteen months following completion of the Proposed Merger. Whilst these escrow arrangements do not restrict the ability of these shareholders to accept a takeover offer for Enlarged JTG they may somewhat hinder a change of control transaction for the duration of the escrow period.

May increase the free float over the longer term

Qantas currently has a 58% interest in JTG with the remainder owned by Sintack (25.2%) and other minority shareholders (16.8%).

Listed companies with a significant shareholder generally trade at a discounted trading price when compared to a company with a widespread shareholder base reflecting the lack of liquidity and potential conflict of interest between the major shareholder and minority shareholders.

Under the Proposed Merger, no individual shareholder will hold more than 30% of Enlarged JTG. Furthermore, it is likely that over the longer term, the free float for Enlarged JTG will increase as some of the shareholders of Enlarged JTG (ie. EV and UBSAHL) who are financial investors are likely to sell down their shareholdings over the medium term.

Disadvantages of the Proposed Merger

JTG shareholders are not receiving a dividend for the six months ended 30 June 2010

In order to retain sufficient cash reserves to complete the integration of the two businesses, the directors of JTG and the proposed appointees to the board of Enlarged JTG intend to suspend the final dividend for the six months ended 30 June 2010. After completion of the Proposed Merger, the new JTG board will undertake a review of the appropriate dividend policy for Enlarged JTG. The payment and amount of future dividends will depend on the earnings, financial condition, financing arrangements, financing requirements for future growth, the competitive environment and any other factors the directors of Enlarged JTG consider relevant.

Due to the existing net cash position of JTG of approximately $35 million, it is possible that, in the absence of the Proposed Merger, JTG would pay a dividend for the period ended 30 June 2010.

Dilution of existing JTG shareholders and lower proportionate free float

The greater number of securities outstanding in Enlarged JTG means that the proportionate interests of JTG shareholders in JTG's existing assets will be diluted. This dilution will further reduce the relative influence of JTG minority shareholders over the activities of JTG and Enlarged JTG. Whilst the proportionate free float will decrease, the total value of the free float will remain comparable. Since the absolute size of the free float of JTG shares will remain unchanged there should be little impact on the trading liquidity of JTG shares when compared to trading prior to the Proposed Merger.

Potential for adverse reaction from key stakeholders and competitors

Given the substantial increase in the size and market position of Enlarged JTG, there may be adverse reactions from a number of stakeholders, including suppliers and agents. In particular, franchisees may not be supportive of the Proposed Merger if they perceive that it may be more difficult to deal with a larger operation.

There may also be a more aggressive competitive response from key travel industry participants such as Flight Centre than would be the case in the absence of the Proposed Merger given that Enlarged JTG will be a more relevant competitor.

Increased financial risk

Stella Travel currently has three tranches of debt with UBS AG (UBS) with $40.3 million drawn as at 30 June 2010 and a total facility limit of approximately $90 million. Interest is charged at between 250 bps and 500 bps above the base rate (depending on the tranche). These facilities mature during 2012 and 2013.

In connection with the Proposed Merger, the existing debt facilities will be amended and restated and Enlarged JTG will become a guarantor of amounts outstanding under the facility.

Whilst Stella Travel and Enlarged JTG are operating within all covenants of this facility and currently have sufficient cash flow to service the obligations under these facilities, the presence of this debt increases the financial risk of Enlarged JTG relative to JTG on a stand-alone basis.

Integration risks

The integration of two entities the size of JTG and Stella Travel is a complex and time consuming process. There is a risk that the anticipated synergies will not be realised or that unexpected integration costs will arise.

Conclusion on reasonableness

On balance, in our opinion, the advantages of the Proposed Merger, outweigh the disadvantages and that the Proposed Merger is reasonable.

Other considerations – premium for control

Approval for an issue of securities that would otherwise contravene Section 606 of the Corporations Act 2001 Cth (Section 606) may be sought under item 7 of Section 611. RG 111 requires that the expert should consider whether there is any premium for control implicit in the terms of the proposed transaction.

The terms of the Proposed Merger do not result in JTG shareholders receiving a premium to recent trading in JTG shares as our assessed value of a share in Enlarged JTG of $0.77 to $0.85 per share is below recent trading in JTG shares which have a three month VWAP of $1.02 prior to Announcement Date. However, our estimated fair market value of a share in Enlarged JTG is approximately 27% higher than our assessed fair market value of a JTG share on a minority basis of $0.61 to $0.66 per share, mainly as a consequence of the anticipated value accretion to be derived from realising expected synergy benefits. Further, since the relative underlying value contribution of the Stella Travel shareholders is in line with the proportion of shares they will receive in Enlarged JTG we have concluded that there is no premium for control being paid under the terms of the Proposed Merger.

Opinion

In our opinion, the Proposed Merger is fair and the advantages of the Proposed Merger proceeding outweigh the disadvantages. We therefore consider that the Proposed Merger is fair and reasonable. Since we have concluded that the Proposed Merger is fair and reasonable, we have also concluded that the Proposed Merger is in the best interests of JTG Shareholders.

An individual shareholder's decision in relation to the Proposed Merger may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED

M. Pittorino R Foley-Lewis

Mark Pittorino
Director

Rachel Foley-Lewis
Director

Note: All amounts stated in this report are Australian Dollars (AUD) unless otherwise stated, and may be subject to rounding.

Contents

1 Terms of the Proposed Merger

1.1 Summary

On 12 May 2010 the directors of Stella Travel and JTG announced a transaction whereby JTG and Stella Travel would merge their businesses. If the Proposed Merger proceeds, JTG will acquire 100% of the shares in Stella Travel in return for the issue of 219.5 million JTG shares to existing Stella Travel shareholders and management, representing 50% of the total JTG shares on issue immediately following completion. In particular:

- 196.8 million JTG shares (equating to 44.8% of Enlarged JTG's issued share capital) will be issued to Stella Group Holdings Pty Ltd (SGH) (Consideration Shares)
- 22.6 million JTG shares (equating to 5.2% of Enlarged JTG's issued share capital) will be issued to management of Stella Travel that currently hold options in Stella Travel (Option Consideration Shares).

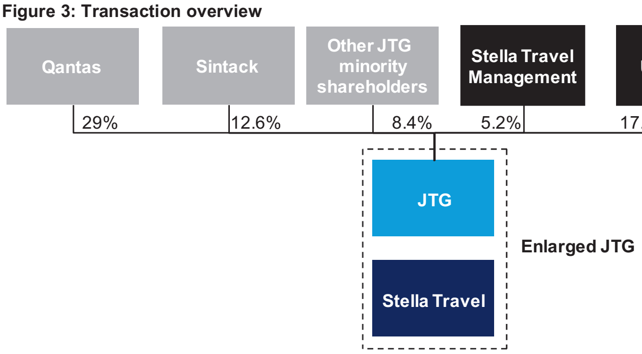
Existing JTG shareholders will continue to hold their shares (representing the other 50% of the total shares on issue following completion) and JTG will remain listed on the ASX.

The Consideration Shares and the Option Consideration Shares will be issued as fully paid, free from all encumbrances, subject to JTG's constitution and on the basis that they rank equally in all respects with the JTG shares currently on issue.

The Consideration Shares will be issued to SGH and then transferred to Global Voyager Holdings Pty Limited (GVH). GVH will then transfer approximately 60% of the Consideration Shares to Europe Voyager NV (EV) and approximately 40% of the Consideration Shares to UBSAHL. The Consideration Shares will be subject to escrow restrictions that will prevent these entities from selling or otherwise disposing of their JTG shares for a minimum period of 15 months from completion, subject to certain exceptions. Similarly, the Option Consideration Shares will also be subject to escrow restrictions that will prevent the sale or disposal of such shares for a minimum period of 15 months, subject to certain exceptions.

If the Proposed Merger proceeds, existing shareholders of JTG and Stella Travel will have the following interests in Enlarged JTG:

Figure 3: Transaction overview



Source: Deloitte Corporate Finance analysis

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Deloitte: Jetset Travelworld Limited

Following the implementation of the Proposed Merger, the board of Enlarged JTG will have nine directors including two independent directors (including the Chairman), CEO, two Qantas nominees, two EV nominees, one UBSAHL nominee and one nominated by Sintack. Tom Dery, the current chairman of JTG, will be the chairman.

Peter Lacaze, existing CEO of Stella Travel, and Elizabeth Gaines, existing CFO of Stella Travel, will be appointed as CEO and CFO of Enlarged JTG respectively.

The Proposed Merger will need to be approved at a meeting of the shareholders of JTG. Approval of the Proposed Merger requires more than 50% of the total votes cast on the Proposed Merger to be cast in its favour.

Full details of the Proposed Merger are provided in the Explanatory Memorandum.

1.2 Commercial arrangements with Qantas

JTG and Qantas currently have a number of commercial arrangements in place which impact the operations of JTG. These arrangements include the following (Commercial Agreements):

- a shared services agreement in relation to leasing arrangements, human resources, payroll, etc
- a national sales agency agreement in relation to the distribution of Qantas' travel service products by JTG
- an agreement in relation to the information technology services provided by Qantas to JTG
- an agreement with Qantas under which Qantas provides a number of Qantas employees to JTG for the purposes of carrying out its Qantas Holidays and QBT businesses
- agreements under which Qantas had agreed to include QBT and Qantas Holiday content on Qantas.com.

If the Proposed Merger proceeds, JTG will enter into a range of ancillary arrangements with Qantas. While Qantas will remain a large shareholder in Enlarged JTG, the new agreements have been negotiated by Stella Travel and are designed to assist Enlarged JTG to operate with reduced dependence on Qantas systems and position Enlarged JTG for future growth. These agreements are expected to provide improved benefits for Enlarged JTG relative to the current arrangements with Qantas.

1.3 Key conditions of the Proposed Merger

The Proposed Merger is subject to a number of conditions including:

- approval of JTG Shareholders
- Australian Competition and Consumer Commission (ACCC) approval
- Foreign Investment Review Board (FIRB) approval
- refinancing or rollover of Stella Travel debt with UBS
- no material adverse change in relation to the JTG or Stella Travel business
- JTG and Qantas entering into amended Commercial Agreements.

1.4 Intentions if the Proposed Merger proceeds

It is proposed that Enlarged JTG will continue to manage and develop its existing business and, following implementation of the Proposed Merger, will operate and integrate Stella Travel.

It is intended that the directors and management of Enlarged JTG will determine how best to further develop those businesses, expand the retail franchise and affiliate presence, enhance revenues and otherwise maximise the operating performance of Enlarged JTG, including through the combination of each businesses' technical and managerial skills, and product offering, for the benefit of Enlarged JTG and its shareholders.

No significant changes are anticipated in respect of JTG's existing financial policies.

In order to retain sufficient cash reserves to complete the integration of the two businesses, it is the intention of the directors to suspend the final dividend for the six months ending 30 June 2010. For future periods the new JTG Board will undertake a review of the appropriate dividend policy for Enlarged JTG. The payment and amount of future dividends will depend on Enlarged JTG's earnings, financial condition, financing arrangements, financing requirements for future growth, the competitive environment and any other factors the directors of Enlarged JTG consider relevant.

1.5 Background to vendors

If the Proposed Merger proceeds, EV will hold 118.1 million shares and UBSAHL will hold 78.8 million shares. A brief background to these entities is set out below.

1.5.1 EV

EV is majority owned by Europe Voyager Holdings S.á.r.l which is in turn wholly-owned by CVC Capital Partners Asia III Limited acting as the general partner for and on behalf of CVC Asia Pacific Fund III (CVC Asia III). CVC Asia III is comprised of two limited partnerships, CVC Capital Partners Asia Pacific III Parallel Fund – A-L.P. and CVC Capital Partners Asia Pacific III L.P. The General Partner is ultimately wholly owned by CVC.

The CVC Group is a leading global private equity firm which manages and advises over US$45 billion in funds focused on private equity transactions such as management buyouts. CVC was founded in 1981 and has 20 offices throughout Europe, Asia and the United States.

1.5.2 UBSAHL

UBSAHL is a direct wholly owned subsidiary of UBS and is a holding company for certain investments. UBS is incorporated and domiciled in Switzerland and is a global banking and financial services business.

2 Scope of the report

2.1 Purpose of the report

As a result of the Proposed Merger, certain shareholders of Stella Travel will increase their economic interests in JTG from below the 20% threshold to above 20% which will require JTG shareholder approval in accordance with item 7 of Section 611.

The directors of JTG have asked Deloitte Corporate Finance Pty Limited to prepare an IER for the benefit of JTG shareholders which includes an opinion as to whether the Proposed Merger is fair and reasonable to, and in the best interests of, JTG Shareholders.

This report is to be included in the Explanatory Memorandum which will be sent to shareholders and has been prepared exclusively for the purpose of assisting JTG Shareholders in their consideration of the Proposed Merger. It should not be used for any other purpose. We are therefore not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

2.2 Basis of evaluation

2.2.1 Guidance

In our determination as to whether the Proposed Merger is fair and reasonable to, and in the best interests of, JTG Shareholders, we have had regard to common market practice and to RG 111

RG 111 provides guidance in relation to the content of independent expert's reports prepared for transactions under Chapters 5, 6 and 6A of the Corporations Act, in relation to a number of transactions including takeover bids, schemes of arrangement and acquisitions approved by security holders under item 7 of Section 611 amongst others.

To assess whether the Proposed Merger is fair and reasonable to, and in the best interests of, JTG Shareholders, we have adopted the tests of whether the Proposed Merger is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

2.2.2 Fairness

ASIC Regulatory Guide 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities subject of the offer. The comparison must be made assuming 100% ownership of the target company. ASIC Regulatory Guide 111.28 states that "the expert may need to assess whether a scrip takeover is in effect a merger of entities of equivalent value when control of the enlarged company will be shared equally between the bidder and the target. In this case, the expert may be justified in using an equivalent approach to valuing the securities of the bidder and the target".

We consider that the Proposed Merger is in substance a 'merger of equals' since:

- *the Proposed Merger ratio*: the merger ratio reflects an equal 50% ownership interest by the existing shareholders of JTG and Stella Travel
- *similarity and size of businesses:* both JTG and Stella Travel operate in broadly similar sectors of the travel services industry with operations across retail, wholesale, corporate and on-line segments which are of a similar size and scale

- *board and management representation:* following the implementation of the Proposed Merger, the board of Enlarged JTG will have nine directors including two independent directors (including the Chairman), the CEO of Enlarged JTG, two Qantas nominees, two EV nominees, one UBSAHL nominee and one nominated by Sintack. Tom Dery, the current chairman of JTG, will be the chairman of Enlarged JTG. The senior management team will be composed predominantly of representatives from Stella Travel
- *composition of shareholding:* if the Proposed Merger is implemented no single shareholder will have a controlling interest (defined as an interest representing more than 50% of the shares) in Enlarged JTG.

In this context, we consider the Proposed Merger to be a merger of entities of equivalent value. Accordingly, we have determined whether the Proposed Merger is fair by assessing whether the merger ratio fairly reflects the pre-merger values of JTG and Stella Travel on a minority basis.

The shares in JTG and Stella Travel have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuations have not been premised on the existence of a special purchaser.

2.2.3 Reasonableness

We have defined the Proposed Merger as being reasonable if in our opinion the advantages to Shareholders of the Proposed Merger proceeding outweigh the disadvantages. To assess the reasonableness of the Proposed Merger we have considered the following significant factors:

- whether the Proposed Merger is likely to increase the value of JTG shares held by JTG Shareholders
- the likelihood of alternative takeover offers for JTG
- any significant shareholdings in JTG
- the likely price and market liquidity of JTG shares in the absence of the Proposed Merger
- other implications for JTG Shareholders of rejecting the Proposed Merger
- any dilutive effects of the Proposed Merger and the likely impact it will have on control of JTG.

We have also considered the specific requirements of RG 111 in respect of evaluating a transaction conducted pursuant to item 7 of Section 611, in particular we have considered whether there is any premium for control implicit in the terms of the Proposed Merger.

2.2.4 Best interests

We have assessed whether the Proposed Merger is in the best interests of JTG Shareholders after considering whether the Proposed Merger is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, after considering the alternatives available.

2.2.5 Individual circumstances

We have evaluated the Proposed Merger for JTG Shareholders as a whole and have not considered the effect of the Proposed Merger on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Merger from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Merger is fair and reasonable to Shareholders. If in doubt investors should consult an independent adviser who will have regard to their individual circumstances.

2.3 Limitations and reliance on information

The opinion of Deloitte 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. This report should be read in conjunction with the declarations outlined in Appendix 6.

We specifically draw to the attention of shareholders that recent volatility in capital markets and the current economic outlook has created significant uncertainty with respect to the valuation of assets. Recognising these factors, we consider that our opinions may be more susceptible to change than would normally be the case.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited (APESB).

Our procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (AUASB) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

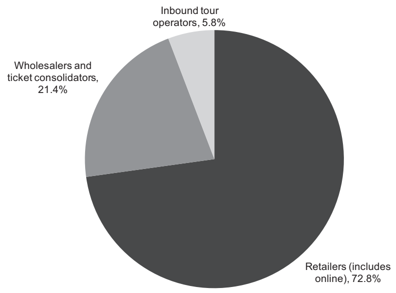
3 The Australian travel services industry

3.1 Overview

The Australian travel services industry incorporates the sale of travel products and services including airline tickets (air), hotel accommodation (land), holiday packages (air and land), car rental, cruise products, ancillary travel products including foreign exchange and insurance and travel planning advice for domestic and international destinations. The travel services industry in Australia can be divided into three broad segments; retailers, wholesalers/ticket consolidators and inbound tour operators.

The figure below illustrates the current market share of the three main segments.

Figure 4: Market share estimate (by revenue) for the Australian travel services industry



Source: IBISWorld estimates for the year ending 30 June 2010

Retailers

The retail segment consists of travel agents which include traditional shop fronts, on-line agents as well as suppliers selling directly to consumers. Travel agents act as intermediaries between the travel product suppliers and the end users offering a wide range of products and services. An extensive knowledge of products, services and destinations form an integral part of the travel agents' value proposition to retail customers.

Travel agents rely on earning a margin on products sold which is in the form of:

- *commissions:* on the sale of full priced domestic and international airfares, hotels, cars and cruises
- *override commissions:* paid by suppliers in the event that volume targets (usually set annually) are met or exceeded. This is particularly relevant for members of large travel agent groups (such as JTG and Stella Travel) with group-based contracts as they have the potential to receive significant override commissions which can be passed on to agents.

Revenue in this segment is predominantly generated from the sale of international airline tickets (52%) and international holiday packages (35%)[1]. In recent years domestic air travel has largely been commoditised with customers buying the products directly from the airlines and therefore most agents are moving to a fee for service model.

[1] The Crescendo Partners Report

Customers in the retail segment comprise domestic, international inbound and international outbound leisure and corporate travellers.

Travel agents in the Australian travel services market are generally run under either a franchise business model such as HWT, a company owned business model such as Flight Centre Limited (Flight Centre) or as independent proprietor run travel agencies. Under the franchise model, the terms of the franchise arrangements are such that the franchisees usually retain the ability to make decisions as to price and to select the wholesalers and ticket consolidators they use. This can create intra-brand and inter-brand competition. The franchisors incentivise the franchisees through indirect participation in the volume-based overrides as well as through enhanced access to inventory that would otherwise not be available to the franchisee as well as access to marketing, training and other services of the wider group. A franchisor earns revenue by collecting franchise fees and earning volume incentives and/or commissions and service fees on travel products sold by the franchisees. In contrast, the wholly owned company model, such as the model operated by Flight Centre, gives the company control over pricing and the operation of its retail outlets. However, this results in a higher relative cost base as the company is responsible for all the capital costs, employee costs and other costs associated with the operation of the retail outlets.

Corporate clients generally use dedicated travel providers and demand a more comprehensive service than regular retail customers. Detailed travel expenditure reports, specialised client service systems and special consultants provide corporate clients with greater control and flexibility. Increased focus on travel costs by corporate customers has resulted in a trend towards a fee for service model rather than a commission model. In some cases larger corporate clients are serviced by wholesalers.

Wholesalers

The wholesale segment broadly includes the following sub-segments:

- *wholesalers:* the main role of a wholesaler is the provision of travel content to agents and consumers. A wholesaler will typically negotiate volume based discounts from providers of travel products to create packages which can be sold to travel agents and consumers. Generally, a reduction of 25% to 30%[2] on retail prices for packaged products is negotiated, with 10% to 12%[3] being passed on to travel agents in the form of sales commissions. Packages mainly include air, land, coach, cruise and leisure products
- *ticket consolidators:* purchase airline tickets on behalf of retail travel agents. Ticket consolidators support travel agents by ticketing the airline products purchased. Like wholesalers, ticket consolidators rely on their relationships with providers to obtain volume based discounts. Agents use ticket consolidators because of the access to the technology provided by the consolidator. In addition, agents use ticket consolidators as a way of mitigating risk, as the writer of the ticket is responsible to the provider for the entire ticket value in the event of any ticket related errors
- *airline general sales agents:* act as designated representatives for airlines in geographies where the airline does not have a significant presence. These agents provide a broad range of services on behalf of the airline they represent including ticketing, reservations, operational management and administration.

Inbound tour operators

Inbound tour operators provide specialised itineraries and services to inbound travellers including accommodation, tours, guides and interpreters. The level of service varies by operator with some

[2] IBISWorld
[3] Ibid

providers acting merely as intermediaries for the tour operators whereas others provide all aspects of the tours from marketing, booking and providing the tours themselves.

3.1.1 Online segment

Online travel booking is an alternative distribution channel for industry participants. Travel agents have traditionally operated predominantly from shop fronts however in recent years there has been an increase in on-line booking engines (OBE) in response to an increase in consumer internet usage for on-line bookings and travel research. The on-line segment can be broadly divided into three main areas:

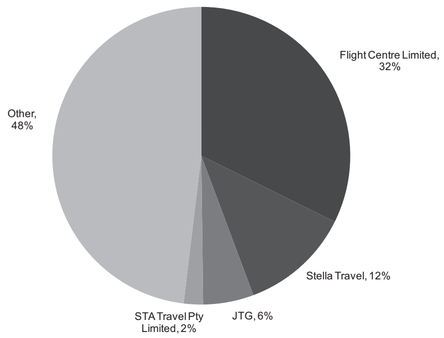
- *supplier direct sites:* a website through which travellers book directly with the supplier being an air or land provider (e.g. qantas.com)
- *travel agency sites:* a facility, operated by a travel agent, allowing travellers to find information and book directly with the agency via the website (e.g. flightcentre.com.au)
- *travel booking sites:* a generic facility that generally offers accommodation reservations and bookings on-line, usually at discounted prices (e.g. wotif.com.au).

There has been a significant increase in the level of domestic travel booked on-line. In 2008, the on-line market accounted for 50% of the domestic retail air travel market and 52% of the domestic retail land market[4]. Growth in the number of international bookings on-line has however been limited, with the on-line market accounting for 13% of the international retail air travel market and 10% of the international retail land market in 2008[5].

3.2 Key market participants

The three largest market participants in the travel services industry are estimated to account for approximately 50% of the total market share during 2010 as set out below.

Figure 5: Market share (by revenue) of industry participants



Source: IBISWorld estimates for the year ended 30 June 2010

[4] The Crescendo Partners Report
[5] Ibid

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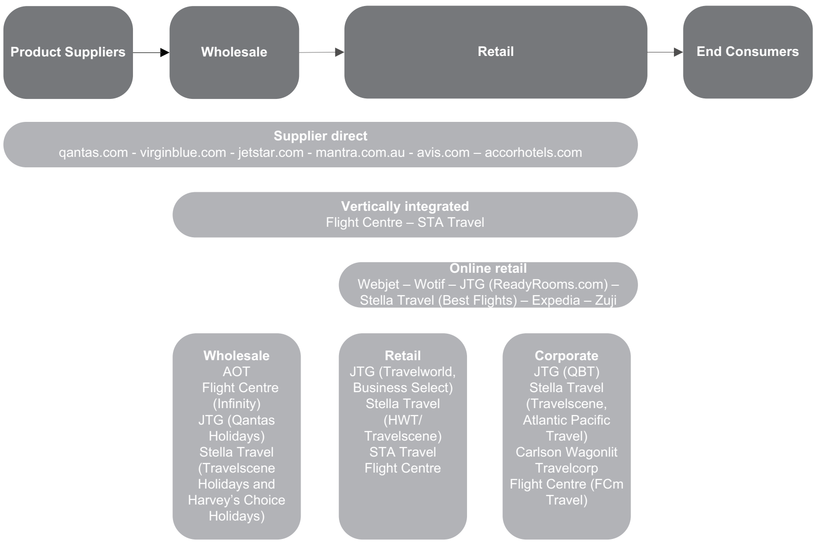
Deloitte: Jetset Travelworld Limited

Flight Centre is the dominant market participant and employs the wholly owned company model similar to STA Travel Pty Limited (STA Travel) whilst JTG and Stella Travel employ the franchise and affiliate model. Under the franchise and affiliate model, virtually all retail stores are independently owned and managed and therefore JTG and Stella Travel have materially less control at the retail level. A large portion of the market is operated by small, independent agents.

Vertical integration is common for the larger industry participants (such as Flight Centre), as they aim to increase their relative competitiveness by ensuring they capture revenue at every stage of the value chain. Through acquisition and organic growth there has been industry consolidation which has left larger industry participants with competing brands in the retail and wholesale operations.

In Figure 6 below, we provide an overview of the competitive landscape of the industry including examples of companies operating in each segment.

Figure 6: Key market participants



Source: Deloitte Corporate Finance analysis

3.2.1 Demand determinants

The key demand determinants for the travel services industry include:

- *macroeconomic fundamentals:* the level of economic activity significantly influences the performance of the travel services industry, in particular GDP growth and real household disposable income affect the level of discretionary income available to spend on travel. Furthermore, the level of consumer confidence at a particular point in time will influence the level of discretionary income allocated to leisure travel. Due to the impact of the global financial crisis and the related credit constraints, growth in Australia's real GDP declined in 2008 and 2009 which resulted in an adverse impact on both inbound and outbound leisure and corporate travel. However, GDP for the 2010 year is expected to grow at 2.3%[6], which should provide some positive momentum for growth in disposable income and outbound travel
- *strength of the Australian dollar;* affects the desirability of travel to and from Australia. All else being equal, an appreciating Australian dollar increases the cost of inbound travel to Australia and creates a more favourable environment for travel abroad. The Australian dollar has strongly appreciated against most currencies over the past 18 months after reaching a low of $0.601/USD in October 2008. As at 30 June 2010, the exchange rate was $0.852/USD
- *external shocks:* such as disease, terror attacks and natural disasters reduce demand for air travel. Consumers are less likely to travel to the affected area and may defer travelling until a later date
- *business sentiment:* business confidence is a significant driver of the corporate segment. The historical movements of the National Australia Bank (NAB) business confidence index show that a sharp decline from July 2008 coincided with the global financial crisis which had a negative impact on revenue derived from business travel. This can largely be attributed to businesses significantly reducing their travel patterns which included a reduction in first class and business class travel, a high margin segment. Furthermore, the increasing availability of video conferencing has provided a substitute to business travel.

3.2.2 Critical success factors

The success of participants within the Australian travel services industry is dependent upon a number of factors, including:

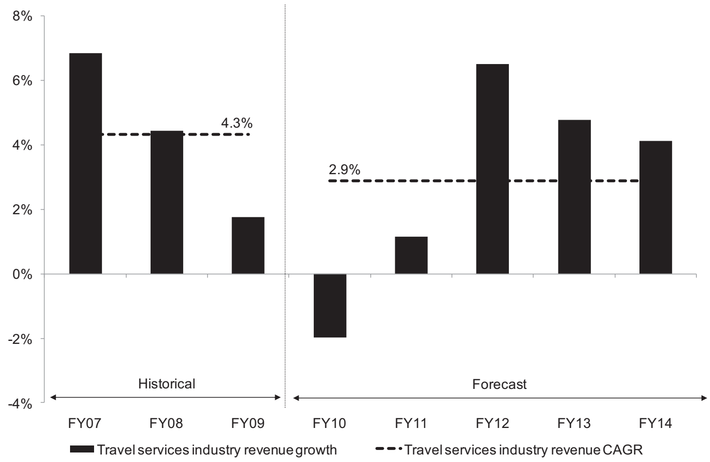
- *scale:* the ability to achieve competitive pricing and secure access to significant levels of inventory is a key determinant of the success of traditional travel agencies. Suppliers prefer to provide content (and volume overrides) to networks which generate the most volume. This dynamic, coupled with declining commissions and a highly competitive environment will increase the importance of scale in the sector
- *competitive on-line portal:* having an integrated on-line platform that allows real-time pricing and transaction execution is becoming increasingly important as the on-line channel continues to replace the traditional channels
- *sophistication of technology systems:* efficiency and accuracy of the booking and reservation process is highly important as customers rely on travel agents to provide accurate and reliable value added services within a minimal amount of time.

[6] Economic Intelligence Unit (EIU)

3.3 Recent trends and future expectations

The global economic crisis and the subsequent contraction of the debt and equity markets have had a significant impact on the travel services industry. The global and Australian economies are showing signs of recovery, which resulted in increasing demand for travel in the second half of financial year (FY10), however there was still an overall decline in revenue in FY10 as set out below.

Figure 7: Historical and forecast industry growth rates



Source: IBISWorld, EIU, Deloitte Corporate Finance analysis

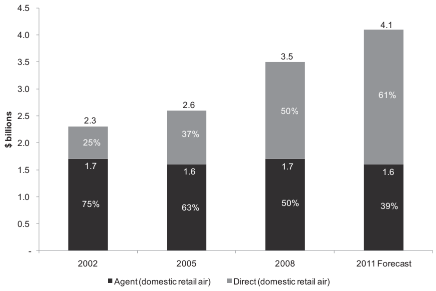
The compound average growth rate (CAGR) observed in the Australian travel services industry was 4.3% over the past four years, and declined over FY08 and FY09 largely due to the impact of the global financial crisis as well as the significant structural and commercial challenges being faced by industry participants.

The increase in forecast industry revenue in FY11 and FY12 is mainly the result of an expected recovery from the global financial crisis combined with a strong Australian economy and currency relative to rest of the world. Domestic and international departures are therefore expected to increase with outbound international departures forecast to drive revenue growth significantly more than domestic departures, mainly due to higher transaction value and commissions on international travel. Any significant growth beyond the recovery period in FY12 will likely be driven by economic factors.

Some of the recent trends within the travel services industry, which are expected to continue into the future include:

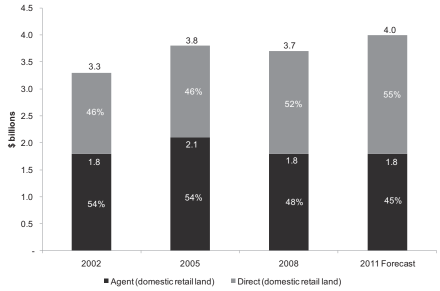
- *declining air commissions:* commission rates paid to agents by airlines have declined by approximately 70% and 40% for domestic and international air fares respectively, since 2002[7]. Jetstar's decision not to pay commissions on domestic travel is an example of a factor contributing to the decrease. International airlines have substantially increased the proportion of airfares published directly to the public, thereby reducing the commission income of agents making them more reliant on service fees. As a result agents are likely to focus on higher margin package holidays including land, insurance or cruise tickets. Commissions on land, another notable driver of revenue, have remained relatively constant since 2002
- *increasing significance of direct channels:* in recent years there has been a significant expansion of on-line and direct channels that link consumers directly to suppliers, enabling consumers to bypass traditional channels. This trend is expected to continue, more predominantly in the domestic sector, as suppliers move aggressively to target this part of the market to capture additional margin and enhance customer relationships. This change in market structure has been particularly favourable for domestic airline suppliers, effectively commoditising the product as presented in the figures below.

Figure 8: Agent and direct sales for domestic retail air



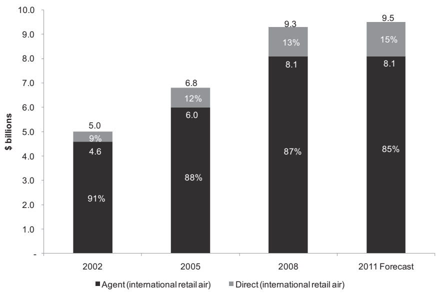
Source: Crescendo Partners

Figure 9: Agent and direct sales for domestic retail land



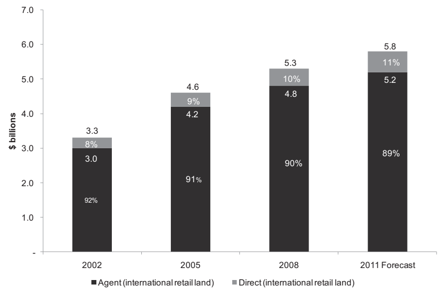
Source: Crescendo Partners

Figure 10: Agent and direct sales for international outbound retail air



Source: Crescendo Partners

Figure 11: Agent and direct sales for international outbound retail land



Source: Crescendo Partners

[7] Crescendo Partners, updated Australia and New Zealand travel market forecast, November 2009

Whilst the penetration of traditional travel agencies by direct supplier channels has been prevalent in recent years, as set out above a substantial market remains for the traditional agency business, as sales for domestic air and land have remained relatively stable, and the agent market for international air and land increased significantly since 2002. Agent sales for outbound air are expected to remain flat until 2011 and outbound land sales through agents are expected to show marginal growth to 2011. The slower on-line penetration of international products is likely attributable to the added complexities of international travel from Australia. In particular, outbound travel generally requires more extensive knowledge as provided by travel agents due to the volume of options available to the customer, in terms of suppliers, routes and ticket options and the potentially high cost of errors for a customer.

Furthermore, customers are disaggregating their travel product purchases and purchasing individual components from direct channel operators in order to customise their holidays which reduces the market share attributable to travel agents as a whole.

- *industry consolidation;* the industry continues to consolidate, as vertically integrated participants are better placed to negotiate more favourable allocation volumes, prices and other terms, in spite of the current competitive pressures which are reducing margins throughout the industry
- *increasing on-line penetration;* as discussed in Section 3.1.1, travel agents are also losing market share in favour of non-direct on-line travel service providers such as Webjet, especially in the case of domestic retail air and land sales. This trend is expected to progress into the future at a similar rate.

3.4 Other markets

Given that 12% of Stella Travel's FY09 revenues are generated from the New Zealand market we have provided a brief overview of this market.

New Zealand travel services market

Like many countries around the world, New Zealand has been adversely affected by the global financial crisis. While real GDP in New Zealand contracted by 0.9% in 2009, it is expected to expand by 2.8% in 2010[8].

The New Zealand travel services market operates in a similar manner to the Australian market and is subject to many of the same demand determinants, competitive pressures and trends discussed above.

One notable difference however is a higher penetration rate of the on-line market for domestic travel in New Zealand which, during 2008, was 70% of the retail air market in comparison to Australia's 50% penetration of the on-line domestic market. The penetration rate in New Zealand is forecast to further increase in 2011 to 80% in comparison to an increase to 61% in the Australian domestic market[9].The difference in penetration rates between Australia and New Zealand can mainly be attributed to the dominance of Air New Zealand in the domestic market.

New Zealand's travel services market is however predominantly driven by international outbound sales.

[8] EIU
[9] Crescendo Partners, updated Australia New Zealand travel market forecast, November 2009

4 Profile of JTG

4.1 Introduction

JTG is an ASX listed, integrated provider of travel services. The company services the Australian market through its retail, wholesale and corporate operations. JTG's retail division operates under a franchise and affiliate model with approximately 670 franchised and affiliated stores located across Australia. During July 2008, JTG acquired the Qantas Holidays and QBT operations, substantially changing the makeup of the JTG business by adding wholesale and corporate segments. JTG has over 700 full time employees (FTEs), and more than 5,800 registered consultants (agents).

On 17 July 2008, the merger with Qantas Holidays and QBT was approved by JTG shareholders. Under the terms of the merger, JTG became the legal parent company of Qantas Holidays and QBT which were both previously wholly owned subsidiaries of Qantas Airways Limited. In Appendix 2 we provide a high level overview of the current legal structure of JTG.

4.2 Company history

An overview of the company history is provided in Figure 12 below.

Figure 12: Company history

1960	• the company established its first travel agency in the 1960s
2000	• Heartlink Limited, JTG's predecessor, was listed on the ASX in September 2000
	• in 2001 Heartlink Limited acquired National Travel World (NSW based) and Traveland (QLD based). These two companies combined to form the Travelworld brand
	• acquired Jetset retail network from Air New Zealand in January 2002
2002	• in April 2002, the company was re-named JTG
	• in May 2003, JTG entered into a strategic alliance with Travelsavers International, one of the world's largest travel retailers, providing JTG access to the buying power of Travelsavers International
2007	• acquired Orient Pacific Holidays Pty Limited in April 2007, a niche Pacific Islands travel wholesaler
2008	• in July 2008, acquired 100% of Qantas Holidays and QBT from QH Tours in exchange for a 58% shareholding in JTG
2009	• launched readyrooms.com and readyflights.com, on-line distribution channels for air and land product

Source: JTG, ASX

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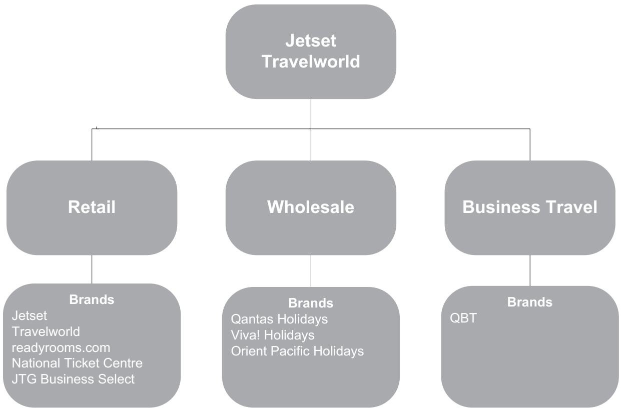
Deloitte: Jetset Travelworld Limited

4.3 Principal activities

JTG principally operates across three segments which include retail, wholesale and corporate. The brands that form part of each segment are illustrated below.

Figure 13: JTG operating segments



Source: JTG

4.3.1 Retail

JTG makes available to its retail franchise and affiliate network a range of travel products and services which the network sells (as agents for the producer) to consumers via their physical store front locations. The main operations of the major brands within the retail segment are outlined below

Jetset and Travelworld

Jetset and Travelworld are franchise and affiliate based travel agent operations that were established over 40 years ago which provide customers with a range of travel related products including air, land, cruise and leisure.

Jetset's target market is "mid-life" customers and it currently operates through 150 franchisees and 141 affiliates nationwide. Jetset has an on-line presence to facilitate on-line booking via jetset.com.au.

Travelworld's target market is "young couples" and it currently operates through 124 franchisees and 257 affiliates nationwide. Travelworld additionally has an on-line presence via travelworld.com.au.

Affiliates are part of the National Association of Independent Travel Agents (NAITA) and have access to preferred supplier relationships and business development assistance from Jetset and Travelworld, while still trading under their own name.

Jetset and Travelworld derive revenue from annual fees from franchisees and affiliates, and override commissions from travel product providers based on the volume of products sold throughout the network.

readyrooms.com

readyrooms.com is an on-line hotel aggregator servicing the Australian market which has recently been launched by JTG. It targets both business and leisure travellers and has been designed to compete with the recent growing number of generic and proprietary travel booking sites. readyflights.com, an on-line flights aggregator, has also recently been introduced by JTG.

National Ticket Centre

National Ticket Centre (NTC) is a ticket consolidation brand for JTG which outsources all of its business to Consolidated Travel, one of Australia's three major ticket consolidators. Consolidated Travel is majority owned by Mr Spiros Alysandratos and Farsnet Nominees Pty Ltd, associates of Sintack. Sintack is also a significant shareholder in JTG.

NTC provides access to fare information through its database and web application QuickFares, which enables travel agents to access up-to-date information on available airline fares. JTG's travel agents are under no obligation to acquire ticket consolidation services via NTC.

JTG Business Select

JTG Business Select is a sub-group of JTG agents comprising 54 members from JTG's Australian operations which specialise in the provision of corporate travel services to small and medium sized enterprises. Members in the alliance benefit from operating under a common brand name. JTG Business Select also has a strategic alliance with the First Travel Group in New Zealand.

4.3.2 Wholesale

The major brands operating under JTG's wholesale segment are outlined below.

Qantas Holidays

Qantas Holidays is a travel package wholesaler that provides package holidays throughout Australia and overseas. Qantas Holidays sources air, land and other travel related products from a broad network of travel product suppliers. This travel content is sold through travel agents, direct to the public or through other third party distribution channels.

Revenue is derived from earning a base commission and volume overrides on the sale of outbound holidays, tickets to special events and attractions and other travel related products including insurance, car hire, transfers, tours and cruising. When Qantas Holidays chooses to distribute through an intermediary, a proportion of the margin is paid to the intermediary who on-sells the travel related product.

As there is often a time lag between receipt of cash from customers and settlement with suppliers, Qantas Holidays also benefits from the returns on cash generated from this positive working capital balance.

JTG is subject to foreign exchange risk as it receives revenue in Australian Dollars yet pays suppliers in foreign currency. The source and nature of this risk arises from the wholesale operations. In order to mitigate this risk, JTG uses forward foreign exchange contracts to hedge a portion of the foreign currency exposure. These contracts are generally for a period of up to 6 months.

Qantas Holidays operates under the umbrella of two brands:

- *Qantas Holidays,* provides airline travel packages that utilise the Qantas Airways or Qantas marketed airlines, such as Jetstar
- *Viva! Holidays,* provides travel package products that include airline flights other than Qantas or Qantas marketed airlines.

Qantas Holidays also offers customers who prefer to book on-line a packaging product that enables customers to book flights and accommodation on-line though qantas.com.

Orient Pacific

Orient Pacific is a travel package wholesaler focused primarily on packages for the Pacific region and does not provide domestic packages. It sells exclusively through the JTG network.

4.3.3 Business travel

The corporate customer segment is serviced by QBT which provides travel management services to corporate customers. Services include arranging flights, accommodation, car hire, a visa facilitation service and itinerary planning and management. QBT services a range of government, large corporate and small to medium size enterprises. Revenue is derived from transaction or management fees for providing customers with travel management services and commissions from suppliers.

4.4 Key agreements

JTG has a number of key agreements which include the following:

- *franchisee agreements.* JTG has agreements with its affiliate and member franchisees under the Jetset and Travelworld brands. The affiliates and member franchisees can easily exit the franchise agreements, however it is relatively difficult for JTG to terminate a franchisee's agreement
- *customer contracts.* JTG has a number of customer contracts throughout its business and currently its most material contract, which is subcontracted through Qantas, is for servicing the Department of Defence through the QBT operations. JTG was successful in the recent re-tender of this contract, however lower margins will be earned from the new contract

  Qantas Holidays has a retail contract with certain Stella Travel entities including HWT and Travelscene as well as a reselling arrangement with other Stella Travel entities
- *Qantas agreements.* JTG outsources a number of services to Qantas which are part of the transitional services agreement between JTG and Qantas. The services provided include IT, payroll, property and certain other services. The total fees paid to Qantas in FY10 are expected to be $14.6 million
- *global distribution service providers (GDS providers).* These providers sell and book tickets across a number of airlines and hotels. The GDS provider will provide rebate commissions based on transaction volumes. Amadeus currently acts as QBT's GDS provider through an arrangement with Qantas
- *Qantas Holidays:* JTG (via Qantas Holidays) supplies wholesale travel content to a wide range of travel agents, including Stella Travel retail brands. The supply agreement with Qantas Holidays is due to expire in December 2011
- *ticket consolidation agreements.* JTG operates an in-house ticket consolidation brand NTC, as described earlier. NTC outsources all of its business to Consolidated Travel, one of Australia's three main ticket consolidators.

In addition to the aforementioned agreements, JTG has a number of agreements with various suppliers of travel products and services and commercial agreements with other smaller networks acting as their buying agent.

4.5 Capital structure and shareholders

Per the Explanatory Memorandum JTG has approximately 220 million ordinary shares on issue. The following table summarises the substantial shareholders of JTG and their respective shareholdings.

Table 2: JTG substantial shareholders

Investor	Number of shares held ('000s)	Percentage of total issued shares
QH Tours Limited	127,341	58.0%
Sintack	55,367	25.2%
Substantial shareholders	**182,708**	**83.2%**
Other shareholders	36,845	16.8%
Total shares on issue	**219,553**	**100%**

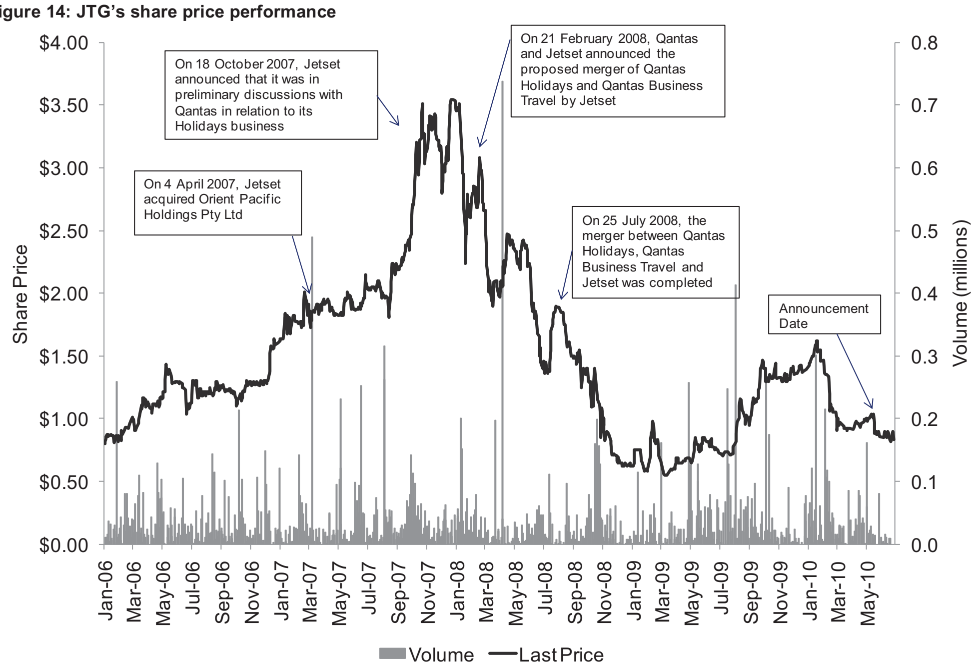
Source: Explanatory Memorandum

The shares in JTG are tightly held with the two largest shareholders holding 83.2% of the total shares on issue. The largest shareholder of JTG is QH Tours Limited (a wholly owned subsidiary of Qantas) with a 58% interest following the issue of shares as consideration for the purchase of all the fully paid ordinary shares issued in the capital of Qantas Holidays Limited.

4.5.1 Share price performance

The share price movement and trading volume for JTG from 3 January 2006 to 30 June 2010 is presented below.

Figure 14: JTG's share price performance



Source: Reuters, Deloitte Corporate Finance analysis

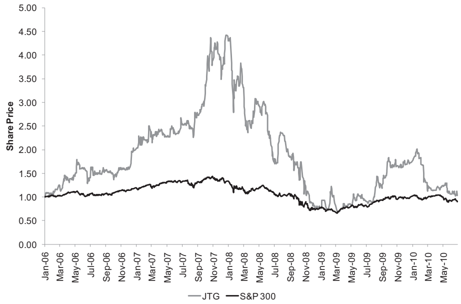
Due to the large investments in JTG held by Qantas and Sintack, the level of free float is relatively low and share trading volumes are also relatively low. Total turnover for the six month period to the Announcement Date was approximately 1.4% of the total outstanding securities and average daily volume of 0.03 million securities represented 0.016% of total shares issued.

The figures below show the relative performance of JTG over the period from 3 January 2006 to 30 June 2010 compared to the S&P/ASX 300 Index and the performance of companies directly comparable to JTG, that is Flight Centre, Webjet Ltd (Webjet) and Wotif.com Holdings Limited (Wotif) (the Comparable Companies).

33

Deloitte: Jetset Travelworld Limited

Figure 15: JTG's performance relative to the S&P/ASX 300 Index

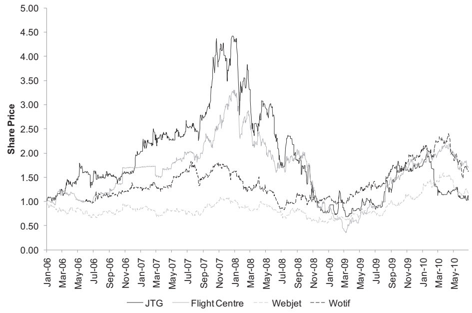


Source: Reuters, Deloitte Corporate Finance analysis

Note:

1. Prices have been re-based to 1.00 at 3 January 2006 to enable comparability

Figure 16: JTG's performance relative to the Comparable Companies



Source: Reuters, Deloitte Corporate Finance analysis

Note:

1. Prices have been re-based to 1.00 at 3 January 2006 to enable comparability

JTG has historically outperformed the S&P/ASX 300 Index and, apart from Wotif, outperformed the Comparable Companies.

We note the following in respect of the recent trading in JTG's shares:

- in the period up to December 2007, JTG's share price was heavily influenced by a positive operating environment as well as acquisition activity, in particular the acquisition of Orient Pacific Holidays Pty Limited and the announcement of the proposed merger of Qantas Holidays and QBT by JTG
- from 28 December 2007 to 12 December 2008, JTG's share price declined substantially largely due to the sharp decline in economic growth expectations and corporate and leisure travel as a consequence of the global financial crisis. This trend was largely consistent with trading in the shares of Flight Centre and to a lesser extent Webjet
- the decline in JTG's share price after the Announcement Date is consistent with industry performance as supported by the Comparable Companies in Figure 16. In addition to the Comparable Companies, Virgin Blue also declined significantly over this period, as a consequence of a considerable fall in fares prices in domestic and international markets resulting in a profit downgrade of between 50% and 75%.

Wotif and Flight Centre have performed relatively better than the other comparable companies over the period under review due to their relatively strong market positions and near term growth prospects.

4.6 Financial overview

JTG has changed significantly since 25 July 2008 as a result of the merger with Qantas Holidays and QBT, as discussed in Section 4.1. As a result, comparisons of financial performance across prior years are not considered meaningful.

4.6.1 Financial performance

The table below sets out the audited financial performance of JTG for the 12 months ended 30 June 2009 and the reviewed forecast financial performance for the 12 months ending 30 June 2010.

Table 3: Financial performance

	30-Jun-09 (Audited) ($ million)	30-Jun-10 Forecast[2] (Reviewed) ($ million)
Retail	30.9	31.7
Wholesale	67.9	68.6
Business travel	46.3	34.8
Total net revenue	**145.1**	**135.1**
Revenue growth (%)	*n/m*	*(7%)*
Operating expenses	122.8	119.6
Retail	17.3	17.2
Wholesale	1.9	12.8
Business travel	3.1	(3.6)
Corporate	-	(10.9)
EBITDA	**22.3**	**15.5**
EBITDA margin (%)	*15%*	*11%*
Interest income on client cash	5.2[3]	3.3
EBITDA (including interest income on client cash)	**27.5**	**18.8**
Margin (%)	*18%*	*14%*

Source: JTG

Notes: n/m = not meaningful

1. The merger with Qantas Holidays and QBT has been deemed a reverse acquisition for accounting purposes, therefore, results for the full year ended 30 June 2009 reflect only Qantas Holidays for the period 1 July 2008 to 24 July 2008 and the consolidated results of JTG, Qantas Holidays and QBT for the period 25 July 2008 to 30 June 2009
2. Based on JTG management accounts to 30 June 2010
3. Provided by JTG management, and was not disclosed in the audited 30 June 2009 annual report.

The results for FY09 and FY10 have both been impacted by adverse trading conditions as a result of the global financial crisis which impacted demand for travel products across all three operating segments. FY10 results have been further affected by the impact on global travel demand during the eruption of the volcano in Iceland as well as a rising interest rate environment in Australia. Other observations on each of JTG's operating segments include:

- *Retail:* the economic climate resulted in reduced commissions from both air and land suppliers as demand for international travel and hence volumes decreased, which significantly reduced override commissions generated and GDS incentives received. The retail segment was also adversely impacted by further penetration by direct and on-line competitors
- *Wholesale:* in addition to retail drivers, the wholesale segment experienced unfavourable foreign exchange movements and a softening in demand for inbound, outbound and domestic travel packages. Interest revenue on client cash held was adversely affected by reduced forward booking rates and lower interest rates during FY09 and FY10. Additionally, vertically integrated competitors such as Stella Travel that currently utilise Qantas Holidays are further developing their own in house wholesale capability which could materially impact the business going forward
- *Corporate Travel:* economic uncertainty has led to reduced demand and margins in this segment. Reduced volume of travel impacts fee for service revenue while at the same time the downgrading of travel classes reduces management fee revenue which is directly linked to ticket value. Furthermore, reduced commissions from QBT's suppliers and lower volumes resulting from the loss of key customers have also negatively influenced performance. Future prospects for this segment are limited due to the current cost structure of the business, as well as the likely lower margins to be achieved on government business as a consequence of a recent tender process for travel arrangements with the government.

Operating expenses largely comprise employee related payments which accounted for approximately 55% of total operating expenses in FY09. Operating expenses in FY10 have however been influenced by the recent introduction of cost control programs, most significantly in regards to labour reduction programs initiated by JTG in 2009, which are expected to deliver long-term benefits and margin improvements. Total employee and staff related payments are expected to decline by approximately 14% during FY10 and will represent approximately 49% of total operating expenses.

The decline in interest income on client cash over FY10 was largely due to lower wholesale booking volumes coupled with a lower interest rate environment.

The actual results set out in Table 3 above are affected by a number of unusual and non-recurring items. We have adjusted for these items in order to determine a normalised level of EBITDA as set out below.

Table 4: Adjusted financial performance

	30-Jun-09 Audited ($ million)	30-Jun-10 Forecast (Reviewed) ($ million)
Reported EBITDA (including interest income on client cash)	**27.5**	**18.8**
Adjustments		
One-off premium and incentive payments	(3.2)	(1.3)
Transaction costs	1.9	4.5
Redundancy costs	2.5	-
Onerous lease and subsequent release of accruals	2.0	(1.7)
Loss on disposal of plant and equipment	0.5	-
Final settlement of disputed trading balances	-	(2.7)
Transitional services	(7.6)	(4.7)
Other accrual releases	-	(0.7)
Total adjustments	**(3.9)**	**(6.6)**
Normalised EBITDA	**23.6**	**12.2**

Source: JTG, Deloitte Corporate Finance analysis

We note the following in relation to the above earnings adjustments:

- one off-premium and incentive payments relate to Qantas incentive payments, commissions on joint JTG and Consolidated Travel contracts and GDS payments that were unrecognised in prior financial periods
- transaction costs relate to the Qantas Holidays, QBT and JTG merger and the JTG and Stella Travel merger, which include external advisory, legal and professional fees
- costs associated with redundancy, onerous lease contracts and losses on the disposal of plant and equipment are in relation to the closed Brisbane and Adelaide contact centres. During FY10, part of the onerous lease provision and a marketing accrual were released
- final settlement of $2.7 million is in relation to disputed trading balances with Qantas which related to transactions in prior financial years
- transitional services payments were received from Qantas during FY09 and FY10 which relate to the Qantas Holidays, QBT and JTG merger during 2008. These payments will terminate at the end of FY11 and will not be replaced with a similar arrangement
- other accrual releases represent IT expenditure and unrecognised cost of goods sold accruals relating to FY09 which have been written back in FY10.

4.6.2 Financial position

The table below sets out the audited statement of financial position as at 30 June 2009 and the reviewed statement of financial position 31 December 2009 for JTG.

Table 5: Financial position

	30-Jun-09 Audited ($ million)	31-Dec-09 Reviewed ($ million)
Cash	113.7	108.8
Receivables	57.2	52.0
Prepayments	17.6	16.2
Total current assets	**188.5**	**177.0**
Property, plant and equipment	1.5	1.3
Intangibles	173.5	170.7
Total non-current assets	**175.0**	**172.0**
Payables	86.8	83.6
Revenue received in advance	55.1	44.3
Provisions	4.5	4.7
Income tax payable	0.9	-
Total current liabilities	**147.3**	**132.6**
Provisions	2.0	1.5
Deferred tax liabilities	18.8	18.8
Total non-current liabilities	**20.8**	**20.3**
Net assets	**195.4**	**196.1**

Source: JTG

We note the following in respect of the financial position of JTG:

- *cash:* includes $72.0 million held on behalf of clients at 31 December 2009. These amounts are expected to be remitted to various airlines and accommodation providers within the next twelve months. JTG invests these funds in short term deposits which generate interest income
- *intangible assets:* as a result of the acquisition of Qantas Holidays and QBT on 25 July 2008, intangible assets relating to JTG brands ($9 million) and customer contracts ($67 million) were recognised along with a significant balance of goodwill for the company of $103 million at 30 June 2009
- *revenue received in advance:* as at 31 December 2009 $44.3 million represents revenues received from sales prior to a passenger's departure date
- *deferred tax liabilities:* primarily relate to goodwill recognised on the acquisition of Qantas Holidays and QBT.

4.7 Future prospects

4.7.1 Growth opportunities

Growth within the travel services industry is expected to increase in the medium term. Growth will mainly be driven by economic recovery and continued growth in the on-line market. JTG's expectations are consistent with industry expectations.

The key areas of focus for JTG with respect to the sustaining of profitability over the medium term to long-term are as follows:

- *strengthening retail franchise and affiliate operations:* JTG expects to make greater use of its franchise and affiliate operations over the coming years through an increased focus on promoting the competitive fee structure and increasing training support of the JTG franchise and affiliate network thereby increasing volumes and margins of the group
- *strengthening wholesale operations:* JTG's focus is to maximise scale and strengthen supplier relationships in order to enable JTG to lock in long term inventory, thus increasing its override commissions as well as product offerings and availability. Additionally a key area of focus for JTG is to further target cruise packages as commissions in this segment have been relatively resilient
- *increasing market share in on-line*: JTG has, over recent years, developed reliable and efficient on-line systems. The next stage of growth of JTG's on-line business is centred on expanding its market presence and brand awareness though advertising
- *cost rationalisation:* JTG is exploring a number of initiatives to reduce the cost base of the company which are expected to deliver long-term benefits and margin improvements.

4.7.2 Key risks

JTG is exposed to a number of risks which could result in a deterioration in its earnings. The key risks are summarised below:

- *threats from direct distributors*: market share is at risk from direct distributors such as Qantas, Jetstar, Tiger Airways, Accor and Hilton as they increasingly sell directly to consumers resulting in increased pressure on margins
- *threats in the on-line segment*: the on-line sector is expanding rapidly, increasing its market share, in particular in domestic sales. All industry participants, including JTG, must rapidly adjust to the changing landscape and offer highly competitive rates and services in order to remain competitive. The Australian on-line segment is dominated by several large brands including the locally listed Wotif (land) and Webjet (air) as well as international players including Expedia and Zuji
- *leakage:* JTG's franchise and affiliate model is exposed to leakage as franchisees and affiliates, under the terms of the agreement, are not required to purchase products from JTG's in-house wholesale businesses. This differs to Flight Centre with its vertically integrated and 'owned' model, as Flight Centre retailers are required to purchase from Infinity, its wholesale division
- *threat to wholesale:* whilst Qantas Holidays has a strong position in the wholesale segment, there is a significant risk if Stella Travel or an alternative competitor were to further develop its own in-house wholesale capability and extricate itself from its distribution agreement with Qantas Holidays
- *external shocks:* such as disease, terror attacks and natural disasters affect demand for air travel adversely. Consumers are less reluctant to travel to the affected area and may defer travelling until a later date.

5 Profile of Stella Travel

5.1 Introduction

Stella Travel is a travel company operating primarily in Australia and New Zealand with ancillary operations in the United States, Asia, Fiji and South Africa. Stella Travel consists of franchised retail travel outlets, online travel platforms, wholesale packaging, air services and inbound travel operations and employs approximately 1,700 staff.

The Stella Travel operations are organised into retail, wholesale and air related services in Australia; and operations in New Zealand, the United States, Asia, Fiji and South Africa. The operations encompass retail travel agencies, an online retailer, wholesale air consolidators, airline representation, wholesale packages and inbound travel services.

5.2 Company history

An overview of the company history is provided in Figure 17 below.

Figure 17: Company history

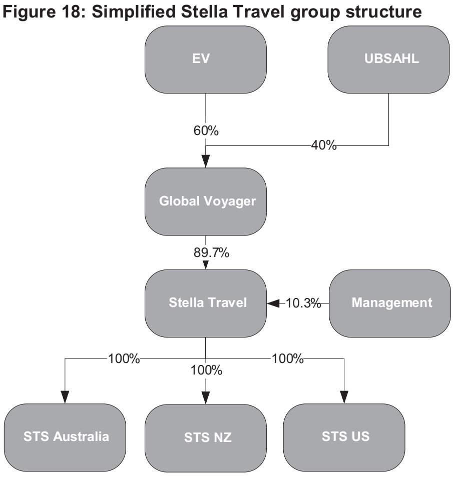
2005	• on 5 September 2005, S8 announced the acquisition of Harvey World Travel
2006	• S8 announced the acquisition of Transonic Travel Limited on 6 March 2006
	• S8 announced the acquisition of Travelscene Limited on 26 April 2006
	• on 29 May 2006, S8 announced the acquisition of the New Zealand based Gullivers Travel Group
	• MFS Limited (MFS) announced the acquisition S8 on 4 September 2006
2007	• S8 delisted from the ASX on 29 January 2007
	• Stella Group acquired S8 in May 2007
2008	• CVC announced the acquisition of 65% of Stella Travel on 4 February 2008
	• MFS changed its name to Octaviar Limited (Octaviar) in April 2008
	• Octaviar placed into administration on 13 September 2008
2009	• In July 2009, Stella Travel was restructured with EV acquiring the remaining interests in Stella Travel, UBSAHL being introduced as an indirect shareholder of Stella Travel and the Stella Travel group being demerged to form travel and hospitality operations in separate businesses.

Source: Mergermarket, Factiva, Stella Travel

5.3 Legal Structure

We have presented below a simplified group structure for Stella Travel showing the economic interests.

Figure 18: Simplified Stella Travel group structure



Source: Stella Travel

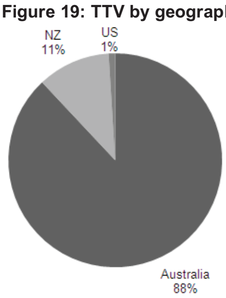
Note:

1. A number of wholly owned holding companies exist between Stella Travel and Global Voyager.

5.4 Principal activities

The figure below illustrates FY10 forecast TTV by operating segment.

Figure 19: TTV by geographic segment



Source: Stella Travel

Notes:

1. South Africa results are reported within retail (Australia)

The majority of TTV (and EBITDA) for Stella Travel is generated by its retail franchisees with limited contribution from wholesale business as this is a relatively new segment for Stella Travel.

The offerings of Stella Travel that fall under each segment are outlined in the following table.

Table 6: Stella Travel brands

Brand name	Description
Australia - Retail	
Travelscene American Express	• Franchise retail travel agency • Traditionally predominantly focused on providing air travel • together with in-house wholesalers Travelscene provides travel solutions for over two million business and leisure travellers annually • Under the terms of an alliance agreement Travelscene has the right to use the American Express brand • Within the Travelscene group there are 295 full members, 60 corporate members (discussed below) and 106 associate members. Associate members form part of the Travelscene purchasing group but do not carry the Travelscene brand and incur a lower franchise fee
Harvey World Travel	• Franchise retail travel agency network with over 283 travel agencies • HWT is traditionally both land and air focused • Stella Travel owns 10 agencies and has minority equity interests in another 17
Best Flights	• Internet-based and sales-driven call centre retail travel agent • Has a number of extension websites including Best Cruises, Best Adventures and Best Coach Tours • Key strategic business for Stella Travel due to increased importance of on-line platforms for travel bookings
Australia - Wholesale	
Travelscene Holidays	• In house wholesaler for Travelscene that provides holiday packages to all major holiday destinations
Travel2	• Provides holiday packages to the United Kingdom (UK), Europe, Australasia, the US, Canada and the Pacific
Travel Indochina	• Sells South East Asian and Chinese packaged tours to a global customer base
Other	• In addition, Stella Travel operates a number of other wholesale brands including: o Ski Express - Offers worldwide ski and snowboarding holidays o Rail Tickets - Provides services for rail journeys worldwide o Talpacific Holidays - Offering holidays in the Pacific Islands o Newmans Holidays - Specialist wholesaler of holidays to New Zealand o Harvey's Choice Holidays (50% owned) - Joint venture with Qantas Airlines. Wholesaler selling exclusively to HWT network o ATS Pacific - Inbound travel services in the South Pacific to overseas clients

Brand name	Description
Australia - Air	
Air Tickets	• Provides travel agents with a range of international and domestic airfares and ticketing services • Provides contracting, reporting and analysis for Stella Travel air, land and cruise sales • Wholesale distribution of international airfares and ticketing services and provides this to 1,750 travel agents internationally on behalf of 105 international airlines • Allows the travel agent greater ability to determine margins on each sale largely due to selling fares in bulk and therefore being able to negotiate discounted rates with airlines
SmartTickets	• Online ticketing system with airfare and full rule validation, providing 24 hours 7 days a week service to travel agents • Earns revenue from wholesale distribution of international airfares
Airline Representation	• General sales agent for more than 40 airlines in the region • Represents both on-line and offline carriers covering both passenger services and cargo operations • Primarily offers a range of services including reservations, ticketing, sales, marketing and administrative support to airlines • Predominantly derives commissions on sales revenue.
New Zealand	
Retail	• Harvey World Travel – 55 agencies • United Travel - 72 agencies • Independent Retail network – 32 agencies • The Broker Network – 65 home based agents
GO Holidays	• Wholesaler of outbound travel products and services
Atlantic Pacific American Express	• A major corporate travel agent in New Zealand with over 400 customer accounts • Offices in Auckland, Wellington and Christchurch
Air Product	• Provides ticketing and contracting services for Stella Travel's New Zealand operations and other industry groups
United States	

Wholesale	• Stella Travel operate a number of wholesale brands in the US including:
	  o Qantas Vacations - Based in the US and provides specialised tour and travel arrangements in key destinations such as the South Pacific, Australia and NZ
	  o Islands In The Sun - Specialises in travel to the South Pacific
	  o Travel 2 - Provides holiday packages to the UK, Europe, Australasia, Canada and the Pacific
	  o Travelscene

Source: Deloitte Corporate Finance analysis

Other notable Stella Travel operations include:

- *In-house R&D/IT division*: known as Stella Travel Solutions, this division employs 13 staff who focus on on-line development and booking tools for Best Flights and other business units within the group
- *Shared services*: perform a variety of functions including head office administration, finance, treasury, human resources, IT services, property services and accounting.

5.5 Key agreements

Stella Travel has a number of key agreements which include the following:

- *GDS providers:* these providers allow agents to make, store and retrieve reservations across a number of airlines and hotels. Stella Travel uses a number of GDS providers including Amadeus, Sabre Pacific and Travelport
- *franchisee agreements:* Stella Travel has franchise agreements with its affiliate and member franchisees under the Travelscene and HWT brands. These can be terminated on relatively short notice by either Stella Travel or the franchisees under the terms of their agreements
- *Qantas Holidays:* JTG (via Qantas Holidays) supplies wholesale travel content to a wide range of travel agents, including Stella Travel retail brands. The supply agreement with Qantas Holidays is due to expire in December 2011
- *Travelscene and American Express (AMEX) alliance agreement:* Travelscene American Express was formed from an alliance between Travelscene and American Express in 2003. This alliance has provided Travelscene with the ability to leverage the globally recognised American Express brand. Travelscene's brand licensing arrangements with American Express provide opportunities to market to the American Express card member base
- *Qantas Airways:* Qantas has a retail sales agency agreement with Stella Travel that is renegotiated each year, whereby Qantas appoints Stella Travel to sell Qantas airfares for an agreed remuneration structure
- *key airline and other supplier contacts:* Stella Travel has contracts with most major airlines operating out of Australia, which are generally subject to annual review as well as contracts with major cruise companies and financial services providers (for travel insurance and foreign exchange contracts).

5.6 Capital structure and shareholders

5.6.1 Debt facilities

Stella Travel's debt consists of loans from UBS AG, in various tranches as set out below.

Table 7: Stella Travel debt facilities

Debt facility	Amount of facility ($'mil)	Current Margin (%)	Maturity
Tranche A – term loan			
Facility 1 (AUD $ million)	31.2	BBSY + 5.0%	30 June 2013
Facility 2 (NZ $ million)	10.0	BKBM + 5.0%	30 June 2013
Tranche B – revolving credit (advances and letter of credit)			
Facility 3 (AUD $ million)	31.0	BBSY + 2.5%	30 June 2013
Tranche C – revolving credit (advances and letter of credit)			
Facility 4 (AUD $ million)	20.0	BBSY + 3.5%	30 June 2012

Source: Stella Travel

Note:

1. Tranche A is term debt due for repayment in June 2013
2. Tranche B includes amounts transferred in connection with the July 2009 restructure and general corporate requirements
3. Tranche C may only be used for working capital requirements. Semi annual reductions of the commitment begin on 31 December 2010.

Stella Travel also has a number of bank guarantees with key suppliers. Stella Travel must pay a periodic fee to the lender for the use of the bank guarantee.

5.6.2 Equity capital

Stella Travel currently has approximately 28.3 million ordinary shares on issue. These shares are held by number of holding entities, with the ultimate holding company being Global Voyager Holdings Pty Limited (Global Voyager). The following table summarises the largest shareholders and their respective ordinary shareholding in Global Voyager.

Table 8: Global Voyager shareholders (excluding employee share options)

Owner	Number of ordinary shares ('000)	Percentage of total issued shares
EV	30,150	60%
UBSAHL	20,100	40%
Total ordinary shares	**50,250**	**100%**

Source: GVH

Each ordinary share shown above has equal rights to voting, dividends and upon winding up.

Employee Share Option Plan

40 Stella Travel managers own fully paid options that would currently amount to approximately 15% of the ordinary share capital of Stella Travel on a diluted basis if converted. Existing ordinary shareholders would be diluted proportionally in the event of any conversion.

The options may be bought back by Stella Travel or cancelled if management departs on what the board deems 'unfavourable terms'. Managers may only sell their options or shares when EV sells its shares.

5.7 Financial overview

5.7.1 Financial performance

The table below sets out the financial performance of Stella Travel for the 12 months ended 30 June 2009 and the forecast financial performance for the year ending 30 June 2010. The results for FY09 exclude the results of entities previously owned by Stella Travel which are not included in the Proposed Merger. These entities were disposed of by the Global Voyager Holdings Pty Ltd Group (GVH Group) on 31 July 2009 in conjunction with a substantial restructuring of the GVH Group.

Table 9: Financial performance

	30-Jun-09 Actual[1] ($ million)	30-June-10 Forecast[2] (Reviewed) ($ million)
Net revenue	247.7	213.8
Interest income on client cash[3]	3.3	2.0
Total revenue	**251.0**	**215.8**
Expenses	230.1	201.8
Share of results from equity accounted investments	0.6	1.0
EBITDA	**21.5**	**15.0**
Margin (%)	*9%*	*7%*

Source: Stella Travel

Notes: n/m = not meaningful

1. Amounts are sourced from separate audited special purpose financial statements for Stella Travel which were prepared but not required to be lodged with ASIC.
2. Based on reviewed historical income statement for the six months ended 31 December 2009 and unaudited actual trading performance for the six months to 30 June 2010.
3. Interest income on client cash is included due to the operational nature of this income

We note the following with respect to the financial performance of Stella Travel:

- similar to JTG, adverse trading conditions as a result of the global financial crisis have affected the performance of Stella Travel during FY09 mainly due to commission reductions and softening demand for travel. These conditions are expected to gradually improve as Stella Travel management expects increased domestic and international ticket pricing
- reduced commissions from suppliers have resulted in a decline in margins, however this decrease would have been greater in the absence of aggressive cost cutting undertaken in the business, including the reduction of 379 staff between September 2008 and November 2009
- a summary of the key factors underpinning the significant decline over FY10 includes:

- *retail*: trading conditions in the retail segment were mixed as Travelscene encountered challenging trading conditions due to a decrease in corporate travel and a reduction in airfare selling prices, while HWT performed strongly due to a better overall mix of business. Bestflights was negatively impacted due to a delay in the search engine development as well as print marketing initiatives that did not generate the anticipated results
- *wholesale*: the wholesale segment had mixed results with strong performance for Travel Indochina due to improved demand for organised tour travel to Asia, while trading conditions were difficult for other wholesale businesses due to weakened demand for tour packages due to lower consumer confidence, lower airfare prices and increased competitor activity
- *air*: declining airfares and challenging operating conditions for airlines globally significantly impacted this segment in FY10. Air Representation declined significantly over FY10, given the results of this business are highly correlated to economic conditions as it offers services to global airlines
- on a country basis Australia (which includes South Africa) was the best performing market, while the recovery had not commenced in New Zealand and the US.

- included in expenses are management fees of approximately $1.4 million, which relate to charges from the Stella Group to recoup central service charges incurred on behalf of Stella Travel

The actual results set out in Table 9 are affected by a number of unusual and non-recurring items. We have adjusted for these items in order to determine a normalised level of earnings as set out below.

Table 10: Adjusted financial performance

	30-Jun-09 Actual ($ million)	30-Jun-10 Forecast (Reviewed) ($ million)
Reported EBITDA	**21.5**	**15.0**
Adjustments		
Restructuring and rebranding of Stella Travel businesses	6.3	-
Reconciliation of legacy systems	1.6	-
Non-recurring items	1.4	-
Redundancy and restructuring costs	-	1.6
Non-recurring transaction costs	-	3.6
Management fee		0.7
Total adjustments	**9.4**	**5.9**
Normalised EBITDA	**30.9**	**20.9**
Attributable NPAT from non-wholly owned investments	(0.6)	(1.0)
Attributable EBITDA from non-wholly owned investments	5.2	1.2
Normalised attributable EBITDA	**35.5**	**21.1**

Source: Stella Travel, Deloitte Corporate Finance analysis

We note the following in relation to the above earnings adjustments:

2009

- $6.3 million of restructuring costs, which are associated with redundancy costs and the recapitalisation of Stella Travel as discussed in Section 5.2, rebranding costs which are associated with the New Zealand business, specifically, rebranding New Zealand Holiday Shoppe to HWT and property provisions relate to onerous leases and make good provisions
- reconciliation of legacy systems relate to writing off unsupportable balances during a change in reservation systems
- $1.4 million of other non-recurring expenses relate to non-recurring foreign exchange losses and legal expenses.

2010

- $1.6 million of further redundancy and restructuring costs during the global financial crisis
- expenses relating to the Proposed Merger of $3.6 million.
- management fee relates to central costs recharged within the Stella Travel group which will are expected to be reduced going forward.

5.7.2 Financial position

The reviewed balance sheet of Stella Travel as at 31 December 2009 is summarised in the table below.

Table 11: Financial position

	31-Dec-09 Reviewed ($ million)
Cash	72.1
Receivables	73.9
Inventory	-
Other	0.3
Total current assets	**146.4**
Receivables	-
Investments	3.8
Property, plant and equipment	13.4
Intangibles	266.4
Investment properties	-
Other	17.5
Total non-current assets	**301.1**
Total assets	**447.5**
Payables	137.7
Borrowings	15.9
Other	7.4
Total current liabilities	**161.0**
Borrowings	40.2
Other	19.4
Total non-current liabilities	**59.6**
Total liabilities	**220.6**
Net assets	**226.8**

Source: Stella Travel

We note the following in respect of the financial position of Stella Travel:

- *cash:* includes $50.4 million held on behalf of clients in Australia. These amounts are expected to be remitted to various airlines and accommodation providers within the next twelve months. Stella Travel deposits these funds in interest bearing accounts which generate interest income
- *receivables:* there is an element of seasonality to the travel booking process leading to a low level of receivables in December
- *investments*: relate to equity accounted investments such as Harvey's Holidays and Harvey World Travel South Africa
- *intangible assets:* relate to brand names and goodwill recognised from prior acquisitions undertaken by Stella Travel

- *other non-current assets:* as at 31 December 2009 relate primarily to deferred tax assets ($16.5 million)
- *payables:* predominantly relates to revenue received in advance, which arises from a customer paying for their holiday prior to departure
- *borrowings:* relate to facilities with UBS as discussed in Section 5.6.1 above
- *other current liabilities:* as at 31 December 2010 relate to accruals ($0.3 million), provisions ($5.6 million) and tax payable ($1.5 million)
- *other non-current liabilities:* as at 31 December 2010 relate to deferred tax liabilities ($18.5 million) and provisions ($0.9 million)

5.8 Future prospects

5.8.1 Growth opportunities

Growth within the travel services industry is expected to continue in the medium term. Growth in Stella Travel is expected to predominantly be driven by market recovery and growth in the following areas:

- *increasing significance of Bestflights and on-line technology in the international market*: given the increasing importance of the internet, the growth of Bestflights is relevant to the success of Stella Travel. Best Flight's international internet revenue is expected to grow at a faster rate than its call centre revenue due to increased advertising spend combined with the rebuilding of the website and on-line booking engine. Bestflights Business 2 Consumer (B2C) technology will be used in other parts of the Stella Travel business, such as HWT to improve communication with consumers
- *focus on high margin/high commission products*: international outbound tourism is expected to underpin growth, given that the size and growth of this market is expected to increase as Australians continue to show a desire to travel abroad. Stella Travel will encourage its franchisees and affiliates to increase their focus on selling higher margin land and package deals. This will be particularly relevant in the Travelscene business which traditionally has derived a significant amount of revenue from air. Stella Travel will continue to focus on selling cruise packages as there has recently been strong growth in cruise commissions
- *improving efficiency in systems*: operating systems across all of Stella Travel businesses will require continuous improvement to compensate for margin pressure from suppliers. Stella Travel has a team of 13 on-line development staff who assist in driving efficiency improvements through the business.

5.8.2 Key risks

Stella Travel is exposed to a number of threats which could result in a deterioration in its earnings. The key threats are summarised below:

- *leakage:* Stella Travel's retail model is exposed to leakage as franchisees and affiliates, under the terms of the agreement, are not required to purchase products from Stella Travel's in-house wholesale businesses. This differs to Flight Centre with its vertically integrated and 'owned' model, as Flight Centre retailers are required to purchase from Infinity, its wholesale division
- *threats in the on-line segment*: the on-line sector is expanding rapidly, increasing market share in particular in domestic sales as it has low barriers to entry. All industry participants, including Bestflights must rapidly adjust to the changing landscape and offer highly competitive rates and

services in order to remain competitive. Stella Travel faces a challenge in capturing market share in the Australian on-line segment, given the domination of several large brands including the locally listed Wotif (land) and Webjet (air) as well as international players including Expedia

- *threats from direct distributors*. market share is at risk from direct distributors, such as Qantas, Jetstar and Tiger Airways, as they increasingly sell directly to consumers resulting in increased pressure on margins
- *external shocks*. such as disease, terror attacks and natural disasters affect demand for air travel adversely. Consumers are less reluctant to travel to the affected area and may defer travelling until a later date.

6 Profile of the Proposed Enlarged JTG

6.1 Principal activities and benefits

If the Proposed Merger proceeds, Enlarged JTG will be a major Australasian integrated travel services business. Enlarged JTG will combine the complementary retail, wholesale and corporate activities of JTG and Stella Travel.

In particular, Enlarged JTG will have:

- a significantly expanded retail franchise and affiliate footprint comprising approximately 2,200 store fronts and franchisees across the Jetset, Travelworld, HWT and Travelscene brands and other affiliate agencies
- an enhanced platform to support the wholesale operations of QH and Stella Travel
- a comprehensive in-house air ticketing business as well as an airline representation business
- access to demand from United States and Canada for travel to Australasia and the South Pacific through Stella Travel's 'Qantas Vacations' and 'Islands in the Sun' brands
- a significantly larger business through combining the franchise business models of both JTG and Stella Travel and the related wholesale and on-line business.

The Proposed Merger is expected to result in cost savings to be realised from merging the businesses and the new agreements between JTG and Qantas that will be entered into if the Proposed Merger proceeds, JTG has estimated annual pre-tax benefits of at least $10 million which are expected to be achieved by 30 June 2012.

Similar to JTG on a stand-alone basis, the majority of TTV (and EBITDA) for Enlarged JTG will be generated by its retail franchisees and associates. Exposure to the wholesale and corporate segments will be reduced and JTG will have increased exposure to air ticketing operations and new exposure to airline representation and overseas operations in New Zealand, South Africa and the United States

6.2 Board of directors and control

The board of Enlarged JTG will have nine directors comprising two independent directors (including the Chairman), CEO, two Qantas nominees, two EV nominees, one UBS nominee and one nominated by Sintack. Tom Dery, the current chairman of JTG, will be the chairman.

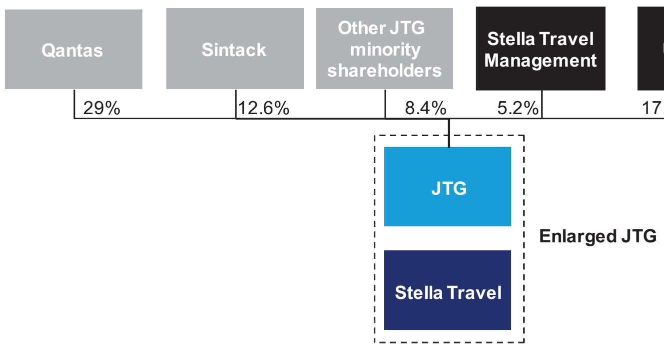
Peter Lacaze, the current CEO of Stella Travel will be appointed CEO of Enlarged JTG. Elizabeth Gaines, the current group CFO of Stella Travel, will be appointed CFO of Enlarged JTG.

6.3 Capital structure and shareholders

Consideration for the acquisition of Stella Travel is to be satisfied through the issuance of new JTG shares that will trade on the ASX (subject to escrow provisions), on par with existing JTG shares. Following the completion of the Proposed Merger, the original shareholders of JTG will retain approximately 50% of JTG outstanding shares with the remainder to be held by Stella Travel shareholders.

Existing shareholders of JTG and Stella Travel will have the following interests in Enlarged JTG:

Figure 20:Transaction overview



Source: Deloitte Corporate Finance analysis

6.4 Financial performance

The pro-forma financial results of the proposed Enlarged JTG for the financial year ended 30 June 2010 are set out in the table below.

Table 12: Financial results

	JTG ($'m)	Stella Travel ($'m)	Adjustments ($'m)	Merged Group ($'m)
Net revenue	135.1	213.8	16.6[5]	365.4
Interest income on client cash	3.3	2.0	-	5.3
Total revenue	**138.4**	**215.8**	**16.6[5]**	**370.8**
Expenses	(115.1)	(196.6)	(16.6) [5]	(328.2)
Share of results from equity accounted investments	-	1.0	-	1.0
Proforma EBITDA per Explanatory Memorandum	**23.3[1]**	**20.2[3]**	**-**	**43.5**
Adjustments to EBITDA	(11.1)[2]	0.9[4]	-	(10.2)
EBITDA per JTG and Stella Travel company section	**12.2**	**21.1**	**-**	**33.3**
Margin (%)	*9%*	*10%*	-	*9%*

Source: Explanatory Memorandum

1. Represents reported EBITDA of $18.8 million as set out in Table 4 in Section 4.6.1 above plus transaction costs of $4.5 million which have been presented as a pro-forma adjustment in the Explanatory Memorandum
2. Represents normalisation adjustments for JTG (excluding transaction costs of $4.5 million) as set out in Table 4 in Section 4.6.1 above
3. Represents reported EBITDA (including interest on client cash) of $15.0 million as set out in Table 10 in Section 5.7.1 above plus transaction costs of $3.6 million and restructuring costs of $1.6 million which have been presented as a pro-forma adjustment in the Explanatory Memorandum
4. Represents normalisation adjustments for Stella Travel (excluding transaction costs and restructuring costs) as set out in Table 10 in Section 5.7.1 above
5. Includes adjustments to align presentation between JTG and Stella Travel, and the elimination of intercompany transactions between JTG and Stella Travel.

The pro-forma results of the proposed merged company for the financial year ended 30 June 2010 were calculated by aggregating the separate line items for JTG and Stella Travel, net of any adjustments. No synergy benefits or costs to extract synergies have been included in the pro-forma results of the proposed Enlarged JTG for the financial year ended 30 June 2010.

6.5 Financial position

The pro-forma statement of financial position for the proposed Enlarged JTG as at 31 December 2009 is summarised in the table below.

Table 13: Financial position

	JTG ($'m)	Stella Travel ($'m)	Adjustments ($'m)	Enlarged JTG ($'m)
Cash	36.8	21.7	-	58.5
Client Cash	72.0	50.4	-	122.4
Receivables	52.0	73.9	(2.1)[1]	123.8
Other	16.2	0.3	(14.4)[2]	2.1
Total current assets	**177.0**	**146.3**	**(16.5)**	**306.8**
Investments	-	3.8	-	3.8
Property, plant and equipment	1.3	13.4	-	14.7
Intangibles	170.7	266.4	(20.5)[3]	416.6
Deferred tax assets	-	16.6	(5.6)[4]	11.0
Other	-	0.9	-	0.9
Total non-current assets	**172.0**	**301.1**	**(26.1)**	**447.0**
Total assets	**349.0**	**447.4**	**(42.6)**	**753.8**
Trade and other payables	127.9	137.7	(16.5)[1/2]	249.1
Borrowings	-	15.9	-	15.9
Income tax payable	-	1.5	-	1.5
Other	4.7	5.9	-	10.6
Total current liabilities	**132.6**	**161.0**	**(16.5)**	**277.1**
Borrowings	-	40.2	-	40.2
Deferred tax liabilities	18.8	18.5	-	37.3
Other	1.5	0.9	-	2.4
Total non-current liabilities	**20.3**	**59.6**	**-**	**79.9**
Total liabilities	**152.9**	**220.6**	**(16.5)**	**357.0**
Net assets	**196.1**	**226.8**	**(26.1)**	**396.8**

Source: Explanatory Memorandum

Notes:

1. Adjustment to eliminate intercompany balances between JTG and Stella Travel of $2.1 million
2. Adjustment to align accounting policy to match JTG's balance sheet classification of prepayments to suppliers on behalf of customers with that of Stella Travel representing $14.4 million
3. Adjustment for acquisition accounting of $20.5 million
4. Adjustment for New Zealand and US tax losses not available post merger.

Further information on key changes in Enlarged JTG following the Proposed Merger is presented in the Explanatory Memorandum.

7 Valuation methodology

7.1 Valuation methodologies

To estimate the fair market value of the securities in JTG and Stella Travel we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which deals with the content of independent expert's reports. These are discussed below.

7.1.1 Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its share or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent share trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the share in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

7.1.2 Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

7.1.3 Asset based methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

7.2 Selection of valuation methodologies

We are of the opinion that the most appropriate methodology to value JTG, Stella Travel and Enlarged JTG is the capitalisation of maintainable earnings method due to the following factors:

- these companies have shown a consistent pattern of historical earnings which is expected to continue in the future
- there is an adequate number of publicly listed companies with operations sufficiently similar to JTG, Stella Travel and Enlarged JTG to provide meaningful analysis
- JTG, Stella Travel and Enlarged JTG do not have a finite lifespan nor are they required to undertake significant capital expenditure in the near future
- the inherent difficulty in forecasting long-term cash flows thus the discounted cash flow method is not appropriate as a primary valuation methodology.

8 Valuation of JTG and Stella Travel

8.1 Valuation of JTG and Stella Travel before the Proposed Merger

We have estimated the fair market value of JTG and Stella Travel on a minority basis (prior to the Proposed Merger) to be as follows:

Table 14: Assessed fair market value of JTG and Stella Travel (on a minority basis)

		JTG		Stella Travel	
		Low	High	Low	High
FY10 normalised EBITDA	**($'m)**	12.2	12.2	21.1	21.1
Assessed multiple	**Times**	8.0	9.0	8.5	9.5
Assessed enterprise value	**($'m)**	**97.6**	**109.8**	**179.4**	**200.5**
Net cash (debt)	**($'m)**	35.8	35.8	(47.1)	(47.1)
Assessed equity value	**($'m)**	**133.4**	**145.6**	**132.3**	**153.4**

Source: Deloitte Corporate Finance analysis

For the purpose of our opinion fair market value is defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. We have not considered special value in this assessment.

8.2 Capitalisation of maintainable earnings

The capitalisation of maintainable earnings method estimates fair market value by capitalising future earnings using an appropriate multiple which encapsulates the growth prospects and risks attaching to future earnings. To estimate the fair market value JTG and Stella Travel using the capitalisation of maintainable earnings method requires the determination of the following:

- an estimate of future maintainable earnings
- an appropriate earnings multiple.

Our considerations on each of these are discussed separately below.

8.2.1 Future maintainable earnings

Future maintainable earnings represent the level of maintainable earnings that the existing operations could reasonably be expected to generate. We have selected EBITDA as an appropriate measure of earnings for JTG and Stella Travel because earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than multiples based on EBIT or NPAT. This allows a better comparison with earnings multiples of other companies.

A number of operators in the travel services sector, particularly in the wholesale sector, receive a positive working capital benefit from time lags between the receipt of cash from clients and the payment of suppliers which allows them to earn an investment return on this cash over the holding period. Interest income earned on client cash is operational in nature and can be a material component of revenue generated by these companies. We have therefore included interest on client cash in the maintainable EBITDA of JTG and Stella Travel (and have ensured the multiples are calculated for the comparable companies and those adopted are on a consistent basis).

The following table sets out our selected earnings for JTG and Stella Travel based on the adjustments discussed in Section 4.6.1 (JTG) and Section 5.7.1 (Stella Travel):

Table 15: FY09 and FY10 EBITDA summary

	Section	FY09 Normalised ($'m)	FY10 Forecast ($'m)	FY10 Normalised ($'m)
JTG EBITDA	4.6.1	23.6	15.5	12.2
Stella Travel EBITDA (attributable)	5.7.1	35.5	15.0	21.1

Source: Stella Travel, JTG, Deloitte analysis

FY10 results for both businesses were adversely impacted by the effects of the weak Australian and international economies as a result of the global financial crisis during most of FY10, which has adversely affected volumes and margins over this period. Both businesses are expected to experience a recovery in earnings and margins in 2011. We have considered the potential growth above the relatively depressed level of earnings experienced in FY10 in our selection of an appropriate earnings multiple for JTG and Stella Travel. We consider that this approach allows for a more consistent representation of earnings for both companies, and therefore value, due to the inherent difficulty in forecasting earnings in this sector.

The earnings for JTG include operating losses of $3.6 million realised during FY10 in respect of QBT. These losses are due to a combination of revised compensation structures and declining margins in the sector coupled with QBT's relatively high cost structure. It is anticipated that while there are restructuring plans in place, operating losses will continue for the medium term. If the Proposed Merger proceeds, Qantas has agreed to provide a credit of up to $3.7 million to JTG to be applied against services to be provided by Qantas in the period from completion of the Proposed Merger to 30 June 2011.

Due to the high transaction volumes generated by QBT, continuation of the business is seen to be strategically important to enable growth across the JTG business and maximise volume based commission overrides from suppliers. In any event, closure of this business would result in significant costs which have been estimated by JTG management to be in excess of $30 million.

Having regard to these factors, as well as the potential restructuring and other scenarios for the business, we consider that it is appropriate to make no adjustment to JTG's normalised EBITDA and have effectively capitalised these expected ongoing losses based on the current state and future prospects for the business.

In addition to a likely cyclical recovery which should benefit the operations of both Stella Travel and JTG, further earnings growth beyond FY10 is expected from:

- factors specific to JTG including:
  - improved margins and higher volumes in the wholesale and retail segments as outbound and domestic segments return to a normalised level
  - additional growth in the on-line division as readyrooms.com expands its offering to international hotels and international flights
  - the likelihood of an increase in margins from the cruise division which JTG is in the final stages of launching for the retail network. Only a minimal contribution to earnings has been included in FY10 forecasts and there is the potential for additional market penetration to occur post FY10
- factors specific to Stella Travel including:
  - improved margins and higher volumes in the retail segments as outbound and domestic segments return to a normalised level. Stella Travel's airline ticketing business will allow Stella Travel greater participation in growth in the retail segment through capturing additional margins from ticketing activities
  - Bestflights will be implementing enhanced search engine and booking functionality which will allow customers to book higher margin international flights and packages (air and land) on-line as opposed to through the call centre, which will allow Stella Travel to compete more directly with on-line competitors such as Webjet and Wotif
  - airline representation performed poorly during the global financial crisis as the results of this business are highly correlated to economic conditions given the services it offers to global airlines, including ticketing and cargo, are driven by ticket prices which were depressed during the global financial crisis. The business has seen a rebound in ticket prices in recent months earnings in the Travelscene business have not been maximised in recent years due to a lack of high margin land sales and the cost structure of the business. Future growth however is expected as a result of a management focus on addressing these issues
  - the likelihood of achieving forecast growth rates in the wholesale segment from a greater utilisation of Travelscene and HWT as distribution outlets, in addition to an increase in on-line spend and marketing activity
  - growth in the cruise product and ancillary revenue streams and further roll out and take up of on-line technologies
  - Stella Travel's businesses in New Zealand have begun to see a recovery, which whilst significantly later than expected, should provide earnings benefits in FY11 and beyond

As discussed above, we have considered the potential growth above FY10 for the above factors in our selection of an appropriate earnings multiple for JTG and Stella Travel.

8.2.2 Earnings multiple

We have selected the following EBITDA multiples on a minority basis to apply to the earnings of JTG and Stella Travel.

Table 16: Selected EBITDA multiple

Company	EBITDA (low)	EBITDA (high)
JTG	8.0	9.0
Stella Travel	8.5	9.5

Source: Deloitte Corporate Finance analysis

In selecting these earnings multiples we have considered earnings multiples derived from share market prices of comparable listed companies and prices achieved in mergers and acquisitions of comparable companies. These are discussed separately below.

8.2.3 Market trading multiples

The share market valuation of listed companies provides evidence of an appropriate earnings multiple for JTG and Stella Travel. The share price of a listed company represents the market value of a minority interest in that company.

We have compiled share market trading multiples for companies comparable to JTG and Stella Travel. Although we consider Flight Centre to be the most comparable to JTG and Stella Travel, we have also considered the multiples of other listed Australian companies offering travel services, being Webjet and Wotif, as further evidence of an appropriate multiple.

Earnings multiples of these companies, are summarised in the following table.

Table 17: Travel services earnings multiples – market trading

			EBITDA Multiple		
Company	Enterprise Value[1] ($ million)	Gearing[2]	2009	2010	2011
JTG	134	(34%)	5.5x	n/a	n/a
Flight Centre Ltd	1,566	(12%)	9.2x	6.0x	5.4x
Webjet Ltd	128	(24%)	13.7x	9.6x	7.8x
Wotif.com Holdings Ltd	1,093	(10%)	18.3x	13.8x	12.0x
Average (excluding JTG)		**(15%)**	**13.8x**	**9.8x**	**8.4x**
Median (excluding JTG)		**(12%)**	**13.7x**	**9.6x**	**7.8x**

Source: Capital IQ, Deloitte Corporate Finance analysis

Notes:

1. Enterprise value excludes client cash in net debt calculation
2. Gearing is calculated as net debt divided by enterprise value. Client cash has been removed from enterprise value as this is working capital in nature

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Deloitte: Jetset Travelworld Limited

We have excluded international companies operating in the travel services industry from our analysis as we consider these companies to be less comparable to JTG and Stella Travel, as they are exposed to a number of different opportunities and risks in particular, different market conditions, competitive environments and tax and regulatory regimes.

Specific details regarding the above companies and the calculation of the earnings multiples are provided at Appendix 3.

General comments regarding these comparable companies and their relating EBITDA multiples are listed below:

- the above multiples are based on listed securities and therefore represent multiples derived from trading in minority parcels of shares and do not generally incorporate any premium for control
- enterprise values were calculated by subtracting the total of the net debt at each company's most recent reporting date from the market capitalisation at 22 June 2010
- current (FY10) and forecast (FY11) earnings are based on an average of broker estimates sourced from Capital IQ as at 22 June 2010
- for Flight Centre, we have included interest on client cash in EBITDA in order to be consistent with our assessed earnings for JTG and Stella Travel. Wotif and Webjet generate insignificant interest from client cash
- the FY10 EBITDA multiples observed for the share trading of comparable listed companies range from 6.0 times to 13.8 times. Companies at the top end of this range include Webjet and Wotif. Both of these businesses have favourable near term growth prospects as well as established on-line businesses and brand awareness. Due to scalability and a different cost base, the on-line market generates higher margins compared to that of the traditional travel agent such as JTG and Stella Travel
- we consider Flight Centre to be the most comparable listed company to both JTG and Stella Travel reflecting their similar retail travel agency focus and wholesale business structure. We note however the following in relation to the comparability of JTG and Stella Travel to Flight Centre:
  - Flight Centre operates under a company owned business model, in that it directly owns and operates all of its retail stores whereas JTG and Stella Travel operate under a franchise business model. The implication of this is that Flight Centre exerts much greater control over its retail stores than JTG and Stella Travel, which may result in greater economies of scale to Flight Centre as Flight Centre agencies are forced to purchase from within the group, whereas JTG or Stella Travel agencies buy products outside their respective groups which has the potential to result in value leakage. However, Flight Centre's company owned business model results in a larger capital expenditure requirement in comparison to JTG and Stella Travel which would decrease the relative EBITDA multiples applicable
  - Flight Centre is larger and more diverse than JTG or Stella Travel and has a relatively dominant position in the Australian market

- Flight Centre's earnings have been less exposed to recent demand fluctuations relative to JTG and Stella Travel. For example, Flight Centre announced an earnings upgrade in May 2010 which represents a 60% to 80% growth on the results for FY09 compared to the significant earnings decline experienced by JTG and Stella Travel over the same period. As a consequence of large scale cost cutting and JTG's and Stella Travel's earnings coming off a lower base, their short term earnings growth prospects (beyond FY10) are expected to exceed that of Flight Centre, despite the fact that Flight Centre has a higher historical (FY09) multiple.

8.2.4 Merger and acquisition multiples

The price achieved in mergers or acquisitions of comparable companies provides evidence of an appropriate earnings multiple for JTG and Stella Travel. The acquisition price of a company represents the market value of a controlling interest in that company. The difference between the market value of a controlling interest and a minority interest is referred to as the premium for control.

We compiled merger and acquisition multiples for companies comparable to JTG and Stella Travel. These companies, together with their earnings multiples, are summarised in the following table.

Table 18: Earnings multiples – mergers and acquisitions

Announcement Date	Target	Acquirer	Historical EBITDA multiple[1]	Operating Interest[2]/ EBITDA
21/02/2008	Qantas Holidays / QBT	JTG	9.7x	30.9%
4/02/2008	Stella Group[4]	CVC Asia Pacific Ltd	8.0x[3]	n/a
4/09/2006	S8 Ltd[4]	Octaviar Ltd	22.0x	10.3%
29/05/2006	Gullivers Travel Group Ltd	S8 Ltd	9.4x	0.5%
26/04/2006	Travelscene Ltd	S8 Ltd	11.7x	0.1%
6/03/2006	Transonic Travel Ltd	S8 Ltd	12.5x	22.9%
5/09/2005	Harvey World Travel Group Ltd	S8 Ltd	14.0x	6.0%
Average			**12.5x**	**12.0%**
Median			**11.7x**	**8.1%**

Source: Mergermarket, Capital IQ, Deloitte Corporate Finance analysis

Notes: n/a = not available

1. EBITDA has been normalised for non-recurring and abnormal items. Due to insufficient information available, the Qantas Holidays Limited / QBT target transaction has not been normalised. Shareholder cash has been included in the enterprise value and interest income on shareholder cash has been excluded from EBITDA, while client cash has been excluded from the enterprise value and interest income on client cash has been included in EBITDA for all transactions
2. Operating interest has been estimated using the average funds held for clients and the average cash rate over the relevant financial year prior to the transaction
3. Normalised earnings are based on pro-forma normalised EBITDA including annualised employee redundancy cost savings of $51.1 million. All cash has been excluded from the enterprise value as no separation between client and shareholder cash is available. Similarly, all interest income has been excluded from EBITDA
4. Includes accommodation assets which were sold prior to the current Stella Travel structure.

Specific details regarding the above companies and the calculation of the merger and acquisition earnings multiples are provided at Appendix 4.

General comments regarding the multiples are listed below:

- where transactions involved the acquisition of a majority interest in the target company, the implied EBITDA multiples incorporate a premium for control and therefore are higher than those observed in share market trading
- there have been no transactions in the travel services industry over the past two years. Given the structural changes in the sector since these transactions occurred, the prices achieved in these transactions may not be applicable today
- the purchase of S8 Limited by Octaviar was completed at a very high multiple of earnings. This was because historical EBITDA used for S8 Limited (FY06) did not represent the full-year impact of EBITDA for targets acquired prior to the transaction and in some cases, such as that of Travelscene Limited, did not include any EBITDA. As at September 2006, broker estimates[10] for S8 Limited's FY07 and FY08 EBITDA were $94.0 million and $119.3 million, respectively, compared to reported EBITDA of $34.2 million for FY06. Using these estimates, a more representative forward EBITDA multiple for the transaction of 7.6x (FY07 EBITDA) and 6.0x (FY08 EBITDA) is implied
- the acquisition of Transonic Travel Limited by S8 in March 2006 relates to Stella Travel's air segment including Smart Tickets and Airline Representation as well as Bestflights
- the acquisition of Gulliver's Travel by S8 in May 2006 relates to businesses in Stella Travel's retail segment including HWT's New Zealand operations and United Travel, including wholesale businesses such as GO Holidays

However we do not consider that these transaction multiples are reflective of the current pricing environment.

8.2.5 Selected multiple

We have applied a multiple of 8.0 times to 9.0 times FY10 normalised EBITDA for JTG and 8.5 times to 9.5 times FY10 normalised EBITDA for Stella Travel.

In selecting these multiples we have had regard to the following:

- the FY10 EBITDA multiples observed for the share trading of comparable listed companies range from 6.0 times to 13.8 times, with an average of 9.8 times.
- whilst Flight Centre has a strong market position and a more vertically integrated model, due to the more leveraged exposure to a cyclical recovery and the factors specific to JTG and Stella Travel as set out in Section 8.2.1, we consider the short-term growth prospects for JTG and Stella Travel to be greater than Flight Centre and may be more consistent with the growth profile of Wotif and Webjet over the near term
- we would expect both JTG and Stella Travel to attract a relatively lower multiple compared to Webjet and Wotif as these companies are more leveraged to the relatively higher growth on-line segment and have relatively higher degrees of operating leverage which would increase the multiple for these companies
- the significant growth expected for both businesses beyond FY10 as set out in Section 8.2.1
- the higher expected earnings growth for Stella Travel relative to JTG expected from:
    - the cyclical upside in Stella Travel's airline representation business which has been particularly depressed during FY10 as a consequence of the adverse operating conditions for global airlines

[10] ABN AMRO Morgans

  - additional leverage to the expected recovery in retail operations through Stella Travel's ticketing operations
  - further expansion of Stella Travel's Bestflights on-line platform
  - expansion of Stella Travel's wholesale operations which is in the early stages of growth. In the absence of the Proposed Merger, this business will continue to compete directly with JTG's Qantas Holidays business and Stella Travel's retail agents would likely be encouraged to switch their business from JTG's Qantas Holidays wholesaler over the longer term
  - relatively higher medium term projected EBITDA based on budgets and projections provided by management of JTG and Stella Travel.
- a lower risk profile of Stella Travel relative to JTG which reflects:
  - the relatively higher revenue diversification of the Stella Travel business by geography and business segment (through airline ticketing and representation)
  - in the absence of the Proposed Merger, JTG's wholesale business is significantly exposed to the loss of one its largest customers, being HWT.

8.3 Surplus assets/other operating investments

Surplus assets are those assets owned by a company that are surplus to its main operating activities, such as unused property, loans or investments. Such assets should be valued separately from the main operating activities of the company, after adjusting operating results to remove the net-income or expense provided by the surplus assets. We have not identified any material surplus assets in JTG or Stella Travel.

8.4 Net debt and other financial obligations

JTG' and Stella Travel's current net debt position (including other financial obligations) is as follows:

Table 19: Net cash (debt) and other financial obligations

	JTG ($ million)	Stella Travel ($ million)
Cash	39.2	9.9
Borrowings	-	(40.2)
Intercompany payable to Qantas	(1.9)	-
Relocation costs	(1.5)	-
Seasonal working capital adjustment	-	(14.9)
Other financial liabilities (net)	-	(1.9)
Total	**35.8**	**(47.1)**

Source: Stella Travel, JTG, Deloitte Corporate Finance analysis

We note the following in respect of the net debt position of JTG and Stella Travel:

- ***Cash***: represents cash available for distribution and excludes client cash (and the associated liability to the customer) as these amounts are working capital in nature as discussed in Section 8.2.1. For Stella Travel this balance also includes attributable net cash from investments in associates
- ***Borrowings***: represents the amounts currently drawn by Stella Travel pursuant to the facilities discussed in Section 5.6.1
- ***Intercompany payable to Qantas***: represents a net liability owing to Qantas by JTG in relation to settlement of previously agreed contractual arrangements including a receivable for transitional services payments associated with the original merger of JTG and Qantas Holiday and QBT, amounts payable in respect of additional working capital requirements and contractual amounts identified as payable
- ***Relocation costs:*** represents the costs expected to be incurred by JTG in relation to a relocation of certain facilities
- ***Seasonal working capital adjustment***: for Stella Travel this represents working capital used to fund seasonal working capital requirements in New Zealand and the US
- ***Other financial liabilities***: for Stella Travel these balances represent deferred consideration for a small acquisition expected to be completed in July 2010, deferred consideration relating to Best Flights and the present value of finance lease obligations.

8.4.1 Valuation: capitalisation of future maintainable earnings

Based on the above, the value of the business operations of JTG and Stella Travel derived from the capitalisation of maintainable earnings method is summarised below.

Table 20: Summary – capitalisation of maintainable earnings method

		JTG		Stella Travel	
		Low	High	Low	High
FY10 normalised EBITDA	($ m)	12.2	12.2	21.1	21.1
Assessed multiple	(times)	8.0	9.0	8.5	9.5
Assessed enterprise value	($ m)	**97.6**	**109.8**	**179.4**	**200.5**
Net (debt)/cash	($ m)	35.8	35.8	(47.1)	(47.1)
Assessed equity value	($ m)	**133.4**	**145.6**	**132.3**	**153.4**
Number of shares	(million)	219.6	219.6		
Assessed equity value (per share)	($)	**$0.61**	**$0.66**		

Source: Deloitte Corporate Finance analysis

9 Valuation of Enlarged JTG

9.1 Introduction

In this section we have estimated the fair market value of the shares in Enlarged JTG using the capitalisation of future maintainable earnings method. This valuation has been performed on a minority interest basis as, should the Proposed Merger be approved, JTG shareholders will become minority holders of shares in Enlarged JTG.

9.2 Valuation of Enlarged JTG

Our valuation aggregates the estimated fair market values of JTG and Stella Travel. The values of JTG and Stella Travel have been incorporated on a minority interest basis and are discussed in Section 8. We have considered separately the value of the synergy benefits expected to be realised by Enlarged JTG and any market re-rating which may occur should the Proposed Merger proceed.

The following table sets out a summary of our assessment of the fair market value of Enlarged JTG.

Table 21: Summary – fair market value of Enlarged JTG

Division	Section	Low ($ million)	High ($ million)
JTG enterprise value on a minority basis[1]	8.2	97.6	109.8
Stella Travel enterprise value on a minority basis[1]	8.2	179.4	200.5
Synergies	9.2.1	76.0	76.0
Enterprise value		**353.0**	**386.3**
Net debt	9.2.3	(15.1)	(15.1)
Total equity value		**337.9**	**371.2**
No of shares		439.1	439.1
Assessed value per share		**$0.77**	**$0.85**

Source: Deloitte Corporate Finance analysis

Note:

1. Represents the enterprise value, on a minority interest basis, prior to the value of surplus assets and net debt

9.2.1 Synergies

Through a combination of the cost savings expected to be realised from merging the businesses and the new agreements between JTG and Qantas that will be entered into if the Proposed Merger proceeds, JTG has estimated annual pre-tax benefits of at least $10 million per annum from the following areas:

- improved procurement costs and margins on a range of items including advertising, brochure printing and IT systems
- improved terms of commercial arrangements negotiated by Enlarged JTG if the Proposed Merger proceeds. While Qantas will remain a large shareholder in Enlarged JTG, new agreements have been designed to assist Enlarged JTG to operate with a reduced degree of dependence on Qantas and its systems and position Enlarged JTG for future growth.
- reduction in headcount of finance, accounting and support staff

- reduction in property costs.

It is expected that the integration of the businesses may take some time to complete and therefore it will be some time before these benefits can be fully realised. Furthermore, whilst the synergies largely pertain to relatively low risk removal of costs from the business, there remains execution risk associated with achieving these benefits. However there is also an expectation that the total benefits achieved by Enlarged JTG may include greater levels of cost savings and potential revenue synergies, however these have not been quantified. We have therefore included 100% of the minimum level of synergies in order to estimate the fair market value of Enlarged JTG.

We have used the capitalisation of maintainable earnings method to estimate the fair value of the identified synergies and cost savings. In selecting an appropriate earnings multiple range to apply to the synergies identified we have considered the following:

- the EBITDA multiple applied to estimate the fair market value for the JTG business on a minority interest basis of 8.0 times to 9.0 times
- the EBITDA multiple applied to estimate the fair market value for the Stella Travel business on a minority interest basis of 8.5 times to 9.5 times.

On the basis of the above, we have selected a multiple at the low end of the assessed range of 8.0 times in order to estimate the fair market value of the expected synergies. We have deducted management's estimated expected costs to achieve these synergies of approximately $4 million.

9.2.2 Surplus assets

We have identified no surplus assets held by Enlarged JTG.

9.2.3 Net debt

Enlarged JTG's pro-forma net debt position if the Proposed Merger proceeds is as follows:

Table 22: Pro-forma net cash (debt) of Enlarged JTG

	Section	($ million)
JTG net cash position	8.4	35.8
Stella Travel net debt	8.4	(47.1)
QBT restructuring costs		3.7
Additional transaction costs		(7.5)
Net debt of Enlarged JTG		**(15.1)**

Source: Explanatory Memorandum, Deloitte Corporate Finance analysis

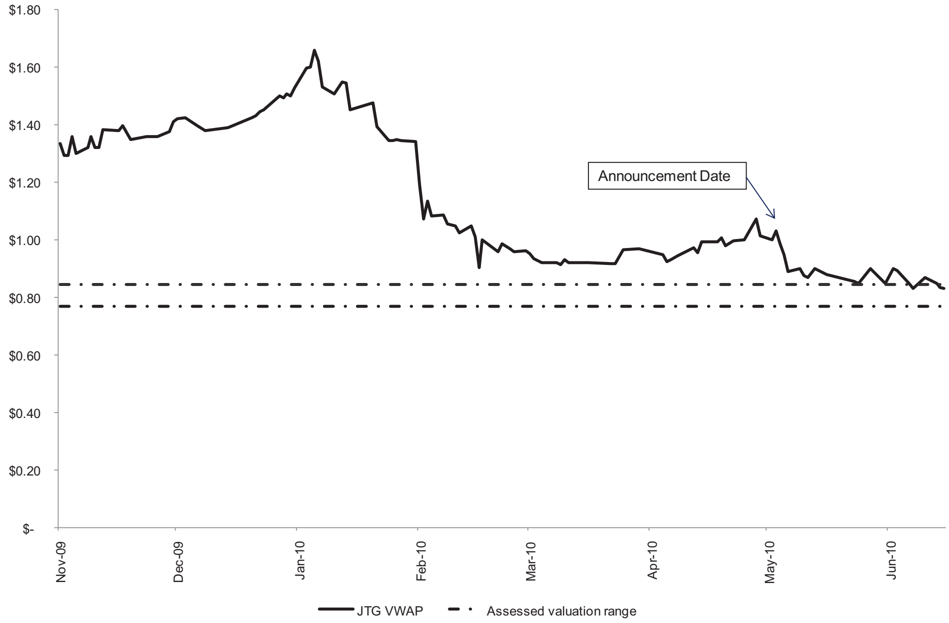
The adjustments to net debt for Enlarged JTG pertains to:

- QBT restructuring costs to be provided by Qantas if the Proposed Merger proceeds
- additional transaction costs payable upon completion of the Proposed Merger.

9.2.4 Share price cross check

A summary of JTG's share price performance over the period immediately prior to and post the Announcement Date until the 30 June 2010 is summarised in the graph below.

Figure 21: Analysis of JTG share price and assessed value of Enlarged JTG



Source: Reuters, Deloitte Corporate Finance analysis

We note that the assessed valuation range of Enlarged JTG is below prices observed in recent trading in JTG shares. However we consider this reasonable since:

- ***the lack of liquidity and significant shareholdings of JTG***: which limits the relevance of share trading prices as a measure of the underlying fair market value of a JTG share. In addition, JTG is not covered by any sell side research analysts
- ***execution risks associated with the expected level of synergies:*** whilst the cost savings included in our estimate of the fair market value of Enlarged JTG are relatively low risk, there remains a risk that the quantum of cost savings expected will not be realised or will not be achieved in the timeframe currently anticipated. Furthermore, details of expected synergies were not included in the initial announcement of the Proposed Merger and are therefore unlikely to be fully priced into recent trading in JTG shares
- ***extent of QBT losses may not be priced in***: a large portion of the movement in earnings for FY10 for JTG was as a consequence of QBT moving to a loss position. The full extent of these losses and the uncertain outlook for this business may not be fully priced in to the JTG share price.
- ***access to non-public information:*** we have had access to the current financial results for JTG including a range of normalisation adjustments to JTG's earnings. This information is not publicly known and therefore would not be reflected in JTG's share trading.

10 Evaluation and conclusion

10.1 Introduction

In order to assess whether the Proposed Merger is in the best interests of JTG Shareholders, we have adopted the test of whether the Proposed Merger is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable after considering the factors set out below.

10.2 Assessment of fairness

In order to assess whether the Proposed Merger is fair we have compared our assessed values of JTG and Stella Travel (on a minority basis) to the terms of the Proposed Merger as set out below.

Table 23: Assessment of the merger ratio

		JTG		Stella Travel	
		Low	High	Low	High
FY10 normalised EBITDA	**($'m)**	12.2	12.2	21.1	21.1
Assessed multiple	(times)	8.0	9.0	8.5	9.5
Assessed enterprise value	**($'m)**	**97.6**	**109.8**	**179.4**	**200.5**
Net (debt)/cash	**($'m)**	35.8	35.8	(47.1)	(47.1)
Assessed equity value	**($'m)**	**133.4**	**145.6**	**132.3**	**153.4**
Intrinsic value contribution	**%**	50.2%	48.7%	49.8%	51.3%
Proposed Merger terms	%	**50%**		**50%**	

Source: Deloitte Corporate Finance analysis

As the proportion of Enlarged JTG that will be owned by existing JTG shareholders is in line with our assessed range of the proportion of value contributed to Enlarged JTG by JTG, it is our opinion that the Proposed Merger is fair. We have also considered the merger ratio implied utilising earnings assumptions beyond FY10 as set out in the business plans for JTG and Stella Travel and this approach results in similar ratios of relative contributed intrinsic value to those set out above.

At the low end of our valuation range the contribution of intrinsic value by JTG of 50.2% is marginally higher than the 50% share in Enlarged JTG to be received by JTG shareholders. Notwithstanding the merger ratio may be considered to be marginally not fair to JTG shareholders at the low end of our valuation range, we do not consider this to be material to our overall assessment that the relative value contributions are in line with the merger ratio and that the Proposed Merger is fair.

10.3 The Proposed Merger is reasonable

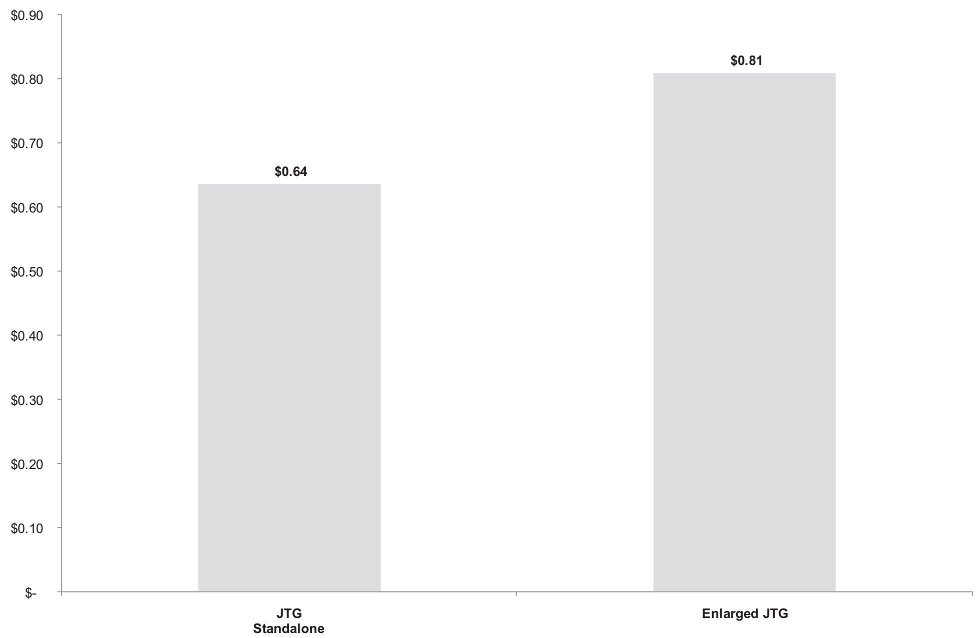
In order to assess the reasonableness of the Proposed Merger we have considered the following advantages and disadvantages of the Proposed Merger proceeding:

Advantages of the Proposed Merger

The merger will result in an increase in the underlying value of a JTG share

We have estimated the fair market value of a share in Enlarged JTG to be approximately 27% greater than the fair market value of a share in JTG on a stand-alone basis as set out below.

Figure 22:Comparison of the midpoint assessed value of JTG and Enlarged JTG (minority basis)



Source: Deloitte Corporate Finance analysis

As set out above, the fair market value of a share in Enlarged JTG is approximately 27% greater than the fair market value of a JTG share. However, this increase in value may or may not be reflected in the share trading of Enlarged JTG subsequent to the Proposed Merger due to:

- the lack of liquidity and significant shareholdings of JTG
- execution risks associated with the expected level of synergies. Whilst the cost savings included in our estimate of the fair market value of Enlarged JTG are considered to be relatively low risk, there remains a risk that the quantum of cost savings expected will not be realised or will not be achieved in the timeframe currently anticipated.

Stronger growth prospects relative to JTG on a stand-alone basis

The Proposed Merger provides an opportunity to integrate two complementary travel businesses to create a significantly stronger and larger travel services company combining the wholesale, retail, on-line and airline ticketing and representation offerings of JTG and Stella Travel.

JTG shareholders should benefit from the enhanced growth prospects for Enlarged JTG relative to JTG stand alone due to:

- ***increased scale***: the retail franchise and affiliate business models of both JTG and Stella Travel will create enhanced economies of scale through:
  - significant increase in TTV from $2.2 billion for JTG to $5.5 billion for Enlarged JTG, an increase of 150%
  - Enlarged JTG will be in a better position to realise economies of scale in the combined wholesale operations through improved pricing and inventory allocation from airline, accommodation and other travel suppliers
  - increase in the retail franchise and affiliate footprint from approximately 670 agents/stores for JTG to approximately 2,200 for Enlarged JTG. This additional scale for the retail business should allow for greater participation in volume overrides relative to JTG on a stand-alone basis. Additional scale may also enhance the ability to attract and retain agents
  - combining the on-line development activities of each business should allow Enlarged JTG to more effectively compete with other industry participants in this rapidly growing segment of the market.
- ***synergy benefits and enhanced commercial arrangements with Qantas***: JTG shareholders will participate in the following benefits for Enlarged JTG which should result in incremental cash flows:
  - annual synergy benefits from rationalising wholesale brands and reduced operating costs through integration of the wholesale and on-line businesses of Stella Travel and JTG
  - if the Proposed Merger proceeds, JTG will enter into a range of ancillary arrangements with Qantas. While Qantas will remain a large shareholder in Enlarged JTG, the new agreements have been negotiated by Stella Travel and are designed to assist Enlarged JTG to operate with a reduced degree of dependence on Qantas systems and position Enlarged JTG for future growth. These agreements are expected to provide improved benefits for JTG relative to the current arrangements with Qantas as a supplier of product, services and personnel to the group
  - through a combination of the cost savings expected to be realised from merging the businesses and the new agreements between JTG and Qantas that will be entered into if the Proposed Merger proceeds, JTG has estimated annual pre-tax benefits of at least $10 million which are expected to be achieved by 30 June 2012.
- ***defensive attributes of transaction***: the Proposed Merger enhances JTG's wholesale and retail offerings and protects JTG from a scenario in which, in the absence of the Proposed Merger, Stella Travel plans chooses to grow its wholesale business which may adversely impact JTG's wholesale business. The increase in scale also provides Enlarged JTG greater ability to compete against other major travel agency participants such as Flight Centre and to defend against internet competition as a result of accessing the technology and development team of Bestflights
- ***diversification of revenue streams***: the Proposed Merger will provide JTG shareholders with exposure to other segments which may have a higher growth profile relative to JTG's more mature businesses including:

- the air segment businesses of Stella Travel, including air tickets and airline representation which will minimise fee leakage for these services
- exposure to international markets (including New Zealand, South Africa and US). As these markets have been slower to recover than the Australian market JTG shareholders will participate in any additional upside potential through a sustained recovery in these markets.

Improved ability to participate in a change of control transaction

In light of the 58% stake in JTG held by Qantas, it would be unlikely that JTG shareholders could realise a control premium except through a transaction supported by Qantas. The Proposed Merger will result in Qantas' shareholding reducing to below 30% and therefore Qantas' ability to influence a control transaction for Enlarged JTG will reduce.

There may be limited alternative opportunities through which JTG shareholders will be able to realise a value in excess of the minority share trading prices of JTG.

Qantas has stated that it will vote in favour of the Proposed Merger assuming the relevant conditions (as discussed below) are satisfied.

The escrow arrangements applying to the major shareholders of Enlarged JTG limit the sale of their shares for a period of fifteen months following completion of the Proposed Merger. Whilst these escrow arrangements do not restrict the ability of these shareholders to accept a takeover offer for Enlarged JTG they may somewhat hinder a change of control transaction for the duration of the escrow period.

May increase the free float over the longer term

Qantas currently has a 58% interest in JTG with the remainder owned by Sintack (25.2%) and other minority shareholders (16.8%).

Listed companies with a significant shareholder generally trade at a discounted trading price when compared to a company with a widespread shareholder base reflecting the lack of liquidity and potential conflict of interest between the major shareholder and minority shareholders.

Under the Proposed Merger, no individual shareholder will hold more than 30% of Enlarged JTG. Furthermore, it is likely that over the longer term, the free float for Enlarged JTG will increase as some of the shareholders of Enlarged JTG (ie. CVC and UBSAHL) are financial investors and are likely to sell down their shareholdings over the medium term.

Disadvantages of the Proposed Merger

JTG shareholders are not receiving a dividend for the six months ended 30 June 2010

In order to retain sufficient cash reserves to complete the integration of the two businesses, the directors of JTG and the proposed appointees to board of Enlarged JTG board intend to suspend the final dividend for the six months ending 30 June 2010. After completion of the Proposed Merger, the new JTG Board will undertake a review of the appropriate dividend policy for Enlarged JTG. The payment and amount of future dividends will depend on the earnings, financial condition, financing arrangements, financing requirements for future growth, the competitive environment and any other factors the directors of Enlarged JTG consider relevant.

Due to the existing net cash position of JTG of approximately $35 million, it is possible that, in the absence of the Proposed Merger, JTG would pay a dividend for the period ended 30 June 2010.

Dilution of existing JTG shareholders and lower proportionate free float

The greater number of securities outstanding in Enlarged JTG means that the proportionate interests of JTG shareholders in JTG's existing assets will be diluted. This dilution will further reduce the relative influence of JTG minority shareholders over the activities of JTG and Enlarged JTG. Whilst the proportionate free float will decrease, the total value of the free float will remain comparable. Since the absolute size of the free float of JTG shares will remain unchanged there should be little impact on the trading liquidity of JTG shares when compared to trading prior to the Proposed Merger.

Potential for adverse reaction from key stakeholders and competitors

Given the substantial increase in the size and market position of Enlarged JTG, there may be adverse reactions from a number of stakeholders, including suppliers and agents. In particular, franchisees may not be supportive of the Proposed Merger if they perceive that it may be more difficult to deal with a larger operation.

There may also be a more aggressive competitive response from key travel industry participants such as Flight Centre than would be the case in the absence of the Proposed Merger given that Enlarged JTG will be a more relevant competitor.

Increased financial risk

Stella Travel currently has three tranches of debt with UBS AG (UBS) with $40.3 million drawn as at 30 June 2010 and a total facility limit of approximately $90 million. Interest is charged at between 250 bps and 500 bps above the base rate (depending on the tranche). These facilities mature during 2012 and 2013.

In connection with the Proposed Merger, the existing debt facilities will be amended and restated and Enlarged JTG will become a guarantor of amounts outstanding under the facility.

Whilst Stella Travel and Enlarged JTG are operating within all covenants of this facility and currently have sufficient cash flow to service the obligations under these facilities], the presence of this debt increases the financial risk of Enlarged JTG relative to JTG on a stand-alone basis.

Integration risks

The integration of two entities the size of JTG and Stella Travel is a complex and time consuming process. There is a risk that the anticipated synergies will not be realised or that unexpected integration costs will arise.

Conclusion on reasonableness

On balance, in our opinion, the advantages of the Proposed Merger, outweigh the disadvantages and we consider that the Proposed Merger is reasonable to JTG Shareholders.

10.4 Other considerations – premium for control

Approval for an issue of securities that would otherwise contravene Section 606 may be sought under item 7 of Section 611. RG 111 requires that the expert should consider whether there is any premium for control implicit in the terms of the proposed transaction.

The terms of the Proposed Merger do not result in JTG shareholders receiving a premium to recent trading in JTG shares as our assessed value of a share in Enlarged JTG of $0.77 to $0.85 per share is below recent trading in JTG shares which have a three month VWAP of $1.02 prior to Announcement Date. However, our estimated fair market value of a share in Enlarged JTG is approximately 27% higher than our assessed fair market value of a JTG share on a minority basis of $0.61 to $0.66 per share, mainly as a consequence of the anticipated value accretion to be derived from realising expected synergy benefits. Further, since the relative underlying value contribution of the Stella Travel shareholders is in line with the proportion of shares they will receive in Enlarged JTG we have concluded that there is no premium for control being paid under the terms of the Proposed Merger.

10.5 Opinion

In our opinion, the Proposed Merger is fair and the advantages of the Proposed Merger proceeding outweigh the disadvantages. We therefore consider that the Proposed Merger is fair and reasonable. Since we have concluded that the Proposed Merger is fair and reasonable, we have also concluded that the Proposed Merger is in the best interests of JTG Shareholders.

An individual shareholder's decision in relation to the Proposed Merger may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser.

Appendix 1: Glossary

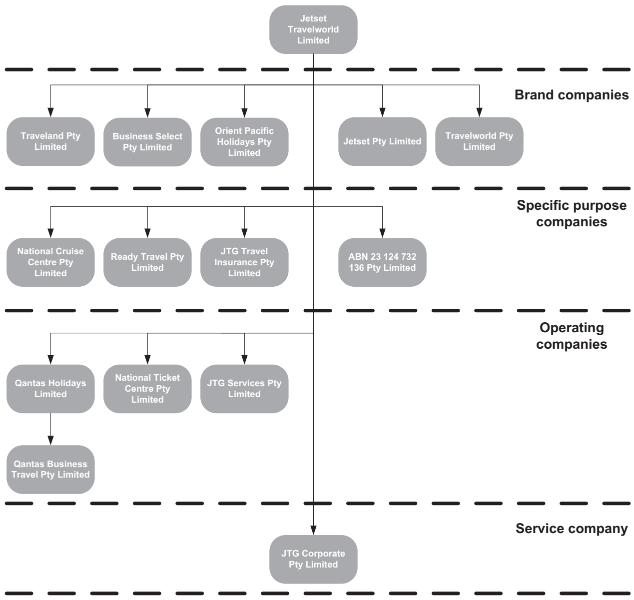
Reference	Definition
000's	Thousands
$	Australian dollars
%	Percentage
ACCC	Australian Competition and Consumer Commission
Agents	Registered consultants
Air	Airline tickets
Air and land	Holiday packages
AMEX	American Express
Announcement date	12 May 2010
APESB	Accounting Professional and Ethical Standards Board Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
AUASB	Auditing and Assurance Standards Board
AUD	Australian dollars
B2C	Business 2 Consumer
CAGR	Constant average growth rate
Comparable Companies, the	Companies directly comparable to JTG, being Flight Centre, Webtjet and Wotif
Cth	Commonwealth
CVC Asia III	CVC Asia Pacific Fund III
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Directors, the	The Directors of JTG
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIU	Economist Intelligence Unit
Enlarged JTG	Enlarged group
EPS	Earnings per share
EV	Europe Voyager NV
Explanatory Memorandum	The explanatory memorandum sent to JTG shareholders
FIRB	Foreign Investment and Review Board
Flight Centre	Flight Centre Limited
FOS	Financial Ombudsman Service
FTEs	Full time employees
FSG	Financial Services Guide
FY10, FY11	Financial year ended 30 June 2010, 30 June 2011
GDS providers	Global Distribution System providers
Global Voyager	Global Voyager Holdings Pty Limited
GVH Group	Global Voyager Holdings Pty Ltd Group
HWT	Harvey World Travel
IER, the	Independent Expert's Report
JTG	The Jetset Travelworld Limited group of companies
Land	Hotel accommodation
Enlarged JTG	The group formed as a result of the Proposed Merger
MFS	MFS Limited
NAB	National Australia Bank
NAITA	National Association of Independent Travel Agents

Reference	Definition
NPAT	Net profit after tax
NTC	National Ticket Centre Pty Limited
NZ	New Zealand
Octaviar	Octaviar Limited
OBE	Online booking engines
P/E	Price-earnings
Proposed Merger	JTG would acquire the Stella Travel business in exchange for shares in the combined JTG and Stella Travel Group
Qantas	Qantas Airways Limited
QBT	Qantas Business Travel Pty Limited
RG 74	Regulatory guideline 74 issued by ASIC
RG 111	Regulatory guideline 111 issued by ASIC
Section 611	Section 611 of the Corporations Act Cth
SGH	Stella Group Holdings Pty Ltd
Sintack	Sintack Pty Limited
SLA	Service Level & Incentive Agreement
STA Travel	STA Travel Pty Limited
Stella Group	Stella Travel, Stella UK and the Mantra Group (formerly known as Stella Hospitality Group)
Stella Travel	Stella Travel Services Holdings Pty Limited
Travelscene	Travelscene American Express
TTV	Total transaction volumes
UBS	UBS AG
UBSAHL	UBS Australia Holdings Limited
UK	United Kingdom
USD	United States dollar
Webjet	Webjet Ltd
Wotif	Wotif.com Holdings Limited

Appendix 2: Legal structures

Figure 23 below, sets out the legal structure for JTG.

Figure 23: JTG's legal structure



Source: JTG

Notes:

1. JTG Services Pty Limited manages the franchise operations of Jetset and Travelworld as well as being the employment entity for all new employees. Costs borne for other entities are fully recovered from the relevant entity
2. All subsidiaries of JTG are 100% owned

Appendix 3: Comparable entities

An initial search identified a number of companies operating in the travel services sector which we considered to be comparable to JTG and Stella Travel. Of the comparable companies identified, we considered the international travel agents and aggregation (such as Expedia Inc., Orbitz Worldwide, Inc. etc) are not comparable and excluded them due to differences between Australian and international growth rates, inflation expectations, market conditions, competitive environment and varying tax and regulatory regimes. The international comparable companies also have a greater operational or geographic diversification and accordingly, may be exposed to a number of different key revenue drivers opportunities and risks to JTG and Stella Travel.

The following table summarises the companies considered most comparable to JTG and Stella Travel.

Table 24: Travel services earnings multiples – market trading

Company Name	Country	Year end	Enterprise Value[1] ($ million)	Current Gearing[2]	EBITDA multiple[3]		EBITDA growth		EBITDA margin		P/E multiple[3]		NPAT margin		NPAT growth	
					2010	2011	2010[4]	2011	2010	2011	2010	2011	2010	2011	2010[4]	2011
JTG Travelworld Ltd	Australia	30-Jun	134	(34%)	n/a	n/a	n/a	n/a	n/a	n/a	n/m	n/m	n/a	n/a	n/m	n/m
Comparable Companies																
Flight Centre Ltd	Australia	30-Jun	1,565	(12%)	6.0x	5.4x	54%	11%	15%	16%	13.1x	11.3x	8%	8%	39%	16%
Webjet Ltd	Australia	30-Jun	128	(25%)	9.6x	7.8x	43%	23%	36%	36%	15.0x	12.4x	28%	28%	38%	21%
Wotif.com Holdings Ltd	Australia	30-Jun	1,110	(8%)	13.8x	12.0x	34%	14%	58%	58%	22.3x	19.3x	39%	39%	23%	16%
Average				**(15%)**	**9.8x**	**8.4x**	**44%**	**16%**	**36%**	**37%**	**16.8x**	**14.3x**	**25%**	**25%**	**33%**	**18%**
Median				**(12%)**	**9.6x**	**7.8x**	**43%**	**14%**	**36%**	**36%**	**15.0x**	**12.4x**	**28%**	**28%**	**38%**	**16%**

Source: Capital IQ, Deloitte Corporate Finance analysis

Notes: n/a = broker forecasts are not available, n/m = not meaningful
1. Enterprise values were calculated by summing the total of the net borrowings at each company's most recent reporting date and the market capitalisation as at [22 June 2010]
2. Gearing is calculated as net debt as at 31 December 2009 over enterprise value. Due to high cash positions held, gearing is negative for all comparable companies. Furthermore, Flight Centre is the only company with borrowings. Gearing has been adjusted for client cash held on balance sheet.
3. Current and forecast EBITDA and P/E multiples are based on broker consensus at 22 June 2010
4. 2010 earnings growth is calculated based on normalised 2009 earnings rather than actual earnings in order to facilitate comparison

A brief description of the operations and activities of these comparable companies is provided below.

Table 25: Comparable company descriptions

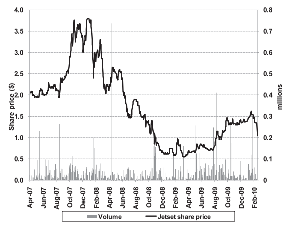
Company description	Key metrics	Geographic and product segments

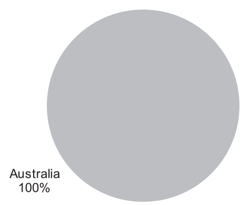
Jetset Travelworld Limited

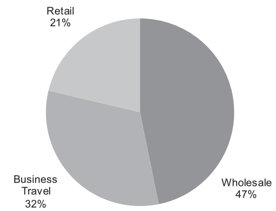
JTG is a vertically integrated, provider of travel services. The company services the Australian market through its retail, wholesale and business travel operations and generates close to 100% of revenues from the Australian market. JTG's retail division operates under a franchise model with over 600 network stores located across Australia. In July 2008, JTG acquired the Qantas Holidays and QBT operations, substantially transforming its wholesale and corporate divisions.

In FY09 JTG had approximately 6% market share in the Australian travel services market.

Operating interest / EBITDA (2009)
18.9%







Service Offerings

Retail	✓	Corporate clients	✓
Wholesale	✓	Individual clients	✓
Online platform[1]	✓	Franchise model	✓

1. readyrooms.com

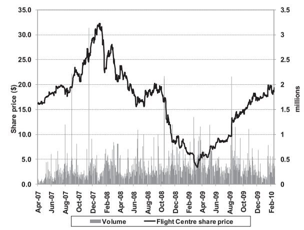
Flight Centre Limited

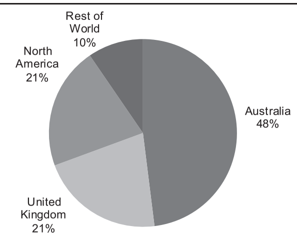
Flight Centre is a vertically integrated provider of travel services. The company operates close to 1,200 outlets throughout Australia and internationally including New Zealand, Hong Kong, South Africa and the United Kingdom with approximately 48% of revenues being generated from Australia. Flight Centre's agencies and brands include Flight Centre, Travel Associates (luxury travel), Corporate Traveller and Student Flights (low priced packages). In November 2007, Flight Centre acquired Liberty Travel making North America one of the substantial markets outside of Australia.

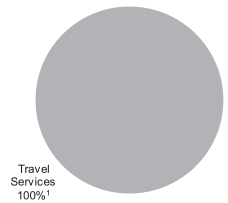
In FY09 Flight Centre had approximately 32% market share in the Australian travel services market.

Operating interest to EBITDA is 13.3% with Flight Centre on average holding $555 million of client cash in FY09 (based on average closing client cash as at 30 June 2008 and 30 June 2009). The high amount of client cash is primarily due having a large in-house wholesale business (Infinity).

Operating interest / EBITDA (2009)
13.3%







Service Offerings

Retail	✓	Corporate clients	✓
Wholesale	✓	Individual clients	✓
Online platform	×	Franchise model	×

1. Detailed product segment split unavailable

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Deloitte: Jetset Travelworld Limited

Company description	Key metrics	Geographic and product segments

Webjet Limited (Webjet)

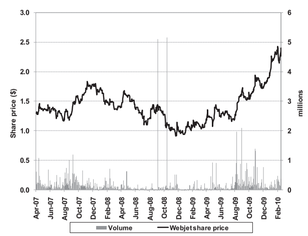
Webjet is an Australian based company that provides travel services via an on-line platform. The company offers reservation services with real-time access to schedules, pricing and availability information for airlines, hotels and major car rental companies.

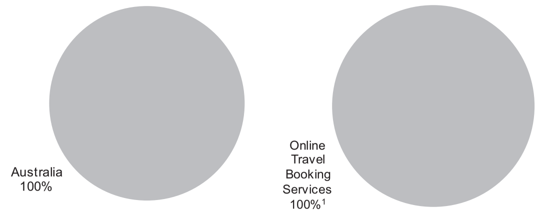
Webjet operates primarily in the retail on-line sector and provides travel services to the Australian general public.

In FY09 Webjet had approximately 1% market share in the Australian travel services market.

Operating interest to EBITDA is not available for Webjet due to no interest income disclosure in the annual report.

Operating interest / EBITDA (2009)
n/a





Service Offerings

Retail	✓	Corporate clients	×
Wholesale	×	Individual clients	✓
Online platform	✓	Franchise model	×

1. Detailed geographic and product segment split unavailable

Wotif.com Holdings Limited (Wotif)

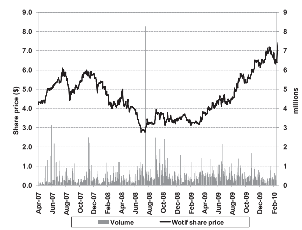
Wotif provides on-line travel services, focusing largely on last-minute travel accommodation. Wotif provides accommodation, flights, car rental, cruises, insurance, travel packages and tours throughout Australia and internationally with approximately 84% of revenues being generated from Australia. Its on-line accommodation booking services are the company's primary operations, contributing circa 90% to operating revenues.

Wotif's brands include Wotif.com, lastminute.com.au, AsiaWebDirect.com, travel.com.au, Arnold Travel Technology and LateStays.com.

In FY09 Wotif had approximately 4% market share in the Australian travel services market.

Operating interest to EBITDA is 0.7%, which is due to low client cash holdings.

Operating interest / EBITDA (2009)
0.7%



Service Offerings

Retail	✓	Corporate clients	×
Wholesale	×	Individual clients	✓
Online platform	✓	Franchise model	×

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Deloitte: Jetset Travelworld Limited

Appendix 4: Comparable transactions

The following table provides an analysis of comparable transactions.

Table 26: Earnings multiples – mergers and acquisitions

Announcement date	Completion date	Target	Target country	Acquirer	Enterprise Value[1] ($ million)	% Acquired	Historical EV/ EBITDA[2]	Historical P/E Multiple[2]	Control premium[3]	Operating interest[4] / EBITDA[2]	Capex / Sales[5]
21/02/2008	25/07/2008	Qantas Holidays Ltd / Qantas Business Travel	Australia	JTG Travelworld Ltd	287.7	100%	9.7x	13.5x	n/a	32.3%	n/a
4/02/2008	29/02/2008	Stella Group	Australia	CVC Asia Pacific Ltd	1,432.2	65%	8.0x[6]	5.6x[6]	n/a	n/a	n/a
1/10/2007	2/01/2008	Travel.com.au Ltd	Australia	Wotif.com Holdings Ltd	49.55	100%	n/m[7]	n/m[7]	57.1%	n/m[7]	4.0%
4/09/2006	11/12/2006	S8 Limited	Australian	Octaviar Ltd	776.4	100%	22.0x	25.1x	43.1%	10.3%	2.3%
29/05/2006	7/09/2006	Gullivers Travel Group Ltd	New Zealand	S8 Ltd	175.4	100%	9.4x	30.4x	58.8%	0.5%	7.1%
26/04/2006	21/07/2006	Travelscene Ltd	Australia	S8 Ltd	57.8	100%	11.7x	19.2x	n/a	0.1%	1.1%
6/03/2006	17/07/2006	Transonic Travel Ltd	Australia	S8 Ltd	143.9	100%	12.5x	23.0x	25.9%	22.9%	4.8%
5/09/2005	19/09/2005	Harvey World Travel Group Ltd	Australia	S8 Ltd	84.1	95%	14.0x	40.8x	29.7%	6.0%	2.4%
Average (excluding Travel.com.au Limited)							**12.5x**	**22.5x**	**39.4%**	**12.0%**	**3.6%**
Median (excluding Travel.com.au Limited)							**11.7x**	**23.0x**	**36.4%**	**8.1%**	**2.4%**

Source : Mergermarket, Capital IQ, Deloitte Corporate Finance analysis

Notes: n/a = not available, n/m = not meaningful

1. Enterprise values were calculated by summing the total of the net borrowings at each company's most recent reporting date, as at announcement, with the implied equity value of the transaction. Client cash has been treated as working capital and not deducted from the enterprise value

2. EBITDA and earnings have been normalised for non-recurring and abnormal items. Due to insufficient information available, the Qantas Holidays Limited / QBT target transaction has not been normalised. Shareholder cash has been included in the enterprise value and interest income on shareholder cash has been excluded from EBITDA, while client cash has been excluded from the enterprise value and interest income on client cash has been included in EBITDA for all transactions
3. Based on share price one month prior to the announcement date
4. Operating interest has been estimated using the average funds held for clients and the average cash rate over the relevant financial year prior to the transaction
5. Operating revenue has been used for all transactions
6. Normalised earnings are built up from a pro-forma adjusted EBITDA including annualised employee redundancy cost savings of $51.1 million. All cash has been excluded from the enterprise value as no separation between client and shareholder cash is available. Similarly, all interest income has been excluded from EBITDA
7. As at the date of the acquisition, the company was loss making with no material extraordinary items and had a high growth potential partially due to the online nature of its operations which attracted a very high EBITDA and P/E multiples on completion of the transaction.

The following table provides comparable market transactions listed by target company.

Table 27: Comparable market transaction descriptions

Target / Acquirer	Description
Qantas Holidays Limited and Qantas Business Travel	In July 2008, JTG Travelworld acquired QBT, the Australian based provider of travel management solutions and Qantas Holidays Limited, the Australian based wholesaler of domestic and international holiday packages, from Qantas for scrip consideration of $302 million. Post acquisition, Qantas Airways shareholding in JTG increased to 58%. Through this acquisition, JTG aimed to obtain broader travel product content and the ability to provide its customers with an enhanced product range by offering a multi channel distribution.
Stella Group	Stella Group is a vertically integrated provider of travel agency products and services with operations in Australia, New Zealand, the US, South Africa and the UK. In February 2008, CVC Asia Pacific Limited, the Australian arm of global private equity firm CVC Capital Partners, acquired a 65% stake in Stella Group from MFS for cash consideration of $409 million. This transaction enabled MFS, a tourism and financial services business, to demerge its tourism and financial services products and enabled Stella Group to operate independently.
Travel.com.au Limited	Travel.com.au Limited is a listed Australian based on-line full-service travel provider. Products offered include domestic and international air fares, accommodation, car hire and holiday packages. In January 2008, Wotif.com Holdings Limited, a listed Australian company that provides on-line accommodation services, completed an off-market takeover of Travel.com.au Limited for cash consideration of $54.8 million.
S8 Limited	In December 2006, Octaviar Limited (formerly MFS Limited), an Australian property and equity funds manager, acquired S8 Limited for cash and script consideration of $710 million. S8 Limited was a listed Australian based resort and travel services company. Its resort business, S8 resorts, provided property management services to over 5,000 holiday apartments in 48 resorts. The travel services business included brands such as HWT, Transonic Travel Limited, Travel Scene and Gullivers Travel. Travel services sales contributed to over 65% of revenue for FY06 which was generated from a wide range of retail, corporate and wholesale operations across Australasia, the United Kingdom and North America.
Gullivers Travel Group Limited	In September 2006, S8 Limited, the listed Australian travel and property management company, acquired Gullivers Travel Group Limited for cash consideration of $196 million. Gullivers Travel Group Limited was a listed New Zealand based travel company whose services included air, land, holiday packages and other travel related products and services distributed though their wholesale, retail and corporate operations. HWT was one of the brands that operated as a part their retail segment.
Travelscene Limited	In July 2006, S8 Limited acquired Travelscene Limited, the Australian travel services provider for cash and scrip consideration of $67 million. Travelscene Limited has retail, corporate and wholesale operations under the brand names Travelscene American Express, Travelscene Holidays and Travelscene Corporate. Travelscene American Express is a franchise based retail travel agency business, which operated over 600 travel agent centres and a presence in Australia and the US. Travelscene Holidays is an in house wholesaler for Travelscene which provides holiday packages to all major holiday destinations for Australians. Travelscene corporate provides independent travel services to companies and corporate travel agencies through over 80 specialist corporate outlets. The proposed merger is aimed at diversifying revenue streams and increasing the scale of S8 Limited's operations.

Target / Acquirer	Description
Transonic Travel Limited	In July 2006, S8 Limited acquired Transonic Travel Limited, the listed Australian provider of services to the airline and travel industry for cash and scrip consideration of $129 million. Transonic provides air fare and ticketing services to travel agents, represents international airlines in Australia and New Zealand and provides travel related services and holiday packages to travel agents and consumers. It has operations in Australia, New Zealand, South East Asia and North America.
Harvey World Travel Group Limited	In September 2005, S8 Limited completed an acquisition of Harvey World Travel Group Limited for cash consideration of $78.1 million. Harvey World Travel Group Limited was an Australian listed franchise based provider of land, air, holiday package and other travel related services through its retail network. S8 Limited had previously held a 5% interest in the company before the transaction. This transaction allowed S8 Limited to consolidate its business in the integrated travel sector.

Appendix 5: Sources of information

In preparing this report we have had access to the following principal sources of information:

- the Explanatory Memorandum
- the merger submission to ACCC
- financial results presentations, analysts briefings and annual financial reports for JTG for the years ending 30 June 2009, 30 June 2008, 30 June 2007 and half-year ending 31 December 2009
- JTG monthly management reporting packs for 2010 and 2009
- JTG monthly CEO and CFO report's for 2010 and 2009
- JTG board presentations for 2010 and 2009
- Stella Travel statutory accounts for year ending 30 June 2009
- Stella Travel 2010 budget
- Stella Travel three year plan
- any major agreements/contracts with third parties for JTG and Stella Travel
- annual reports for comparable companies
- company websites for JTG (including subsidiaries), Stella Travel (including subsidiaries), and comparable companies
- publicly available information on comparable companies and market transactions published by ASIC, Thompson research, SDC Platinum and Mergermarket
- IBISWorld industry reports
- Tourism Forecasting Committee 2009 forecast report
- Crescendo Partners 2009 Australia and New Zealand travel market forecast report
- other publicly available information, media releases and brokers reports on JTG, Stella Travel, comparable companies, the travel services industry and economic factors affecting the travel services industry.

In addition, we have had discussions and correspondence with certain directors and executives, including Peter Collins, CEO – JTG; Nigel Underwood, CFO – JTG; Peter Lacaze, CEO – Stella Travel; Elizabeth Gaines, CFO – Stella Travel; Stephen Farrell, Group Finance and Compliance Manager – Stella Travel ANZ; and Phillip Turner, CFO – Stella Travel ANZ in relation to the above information and to current operations and prospects.

Appendix 6: Qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of JTG and is to be included in the Explanatory Memorandum to be given to shareholders for approval of the Proposed Merger in accordance with Section 611. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Explanatory Memorandum in their assessment of the Proposed Merger outlined in the report and should not be used for any other purpose. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Merger. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the APESB.

The report represents solely the expression by Deloitte of its opinion as to whether the Proposed Merger is fair and reasonable. Deloitte consents to this report being included in the Explanatory Memorandum.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte has relied upon the completeness of the information provided by JTG and their officers, employees, agents or advisors which Deloitte believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to JTG and Stella Travel management for confirmation of factual accuracy.

In recognition that Deloitte may rely on information provided by JTG and their officers, employees, agents or advisors, JTG has agreed that they will not make any claim against Deloitte to recover any loss or damage which JTG may suffer as a result of that reliance and that it will indemnify Deloitte against any liability that arises out of either Deloitte's reliance on the information provided by JTG and their officers, employees, agents or advisors or the failure by JTG and their officers, employees, agents or advisors to provide Deloitte with any material information relating to the Proposed Merger.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of JTG and Stella Travel personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board.

Based on these procedures and enquiries, Deloitte considers that there are reasonable grounds to believe that the prospective financial information for JTG and Stella Travel included in this report has been prepared on a reasonable basis. In relation to the prospective financial information, actual results may be different from the prospective financial information of JTG and Stella Travel referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte principally involved in the preparation of this report were Mark Pittorino, Director, BComm, MAppFin, CA, Rachel Foley-Lewis B.Comm, CA, F.Fin and Dave Pearson, Associate Director, B.Comm., CBV, CFA, CA. Mark Pittorino and Rachel Foley-Lewis are Directors and Dave Pearson is an Associate Director. Each have many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. Also assisting in the preparation of this report were Sam Teeger B.Comm, CA, Siddarth Chitnis B.Comm and Joseph Ziller B.Bus, CA, CAIA.

Neither Deloitte, Deloitte Touche Tohmatsu, nor any partner or executive or employee thereof has any financial interest in the outcome of the Proposed Merger which could be considered to affect our ability to render an unbiased opinion in this report. Deloitte will receive a fee of $415,000 exclusive of GST in relation to the preparation of this report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the success or otherwise of the Proposed Merger.

The following represents a summary of work performed by Deloitte and Deloitte Touche Tohmatsu for JTG, Stella Travel and Qantas over the past two years:

- JTG – a range of co-sourced internal audit support projects
- Stella Travel – no services provided
- Qantas – a wide range of management consulting and taxation related services. None of these services related to any advice in relation to the Proposed Merger.

About Deloitte

In Australia, Deloitte has 12 offices and over 4,500 people and provides audit, tax, consulting, and financial advisory services to public and private clients across the country. Known as an employer of choice for innovative human resources programs, we are committed to helping our clients and our people excel. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

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Annexure A – Stella Option Holders

No.	Name	JTG Shares to be issued
A.	**STELLA MANAGEMENT EXCLUDED SHARE OFFER DEED**	
1	Peter Lacaze (Peter Lacaze as trustee of the Lacaze Family Trust)	11,664,695
2	Andrew Cummins (Gladstone Investments Limited)	952,998
3	Linda Christian (Linda Christian and Kay Margaret Corlett as trustees of the Linda Christian Family Trust)	381,199
4	David Rivers (David Rivers and Marion Rivers as trustees of the D.A. & M.R. Rivers Superannuation Fund)	381,199
5	Rohan Moss (Rohan Moss and Natalie Moss as trustees of the Moss Family Trust)	381,199
6	Paul Hole (SAPA Holdings Pty Limited as trustee of the Hole Family Trust)	381,199
7	Greig Leighton (Greig Leighton and Caroline Paull-Leighton as trustees of the Paull-Leighton Family Trust)	381,199
8	Inga Afheldt (Afheldt-Martin Family Pty Limited)	238,249
9	David Padman (D&J Padman Pty Limited as trustee of the Padman Family Trust)	190,600
10	Jason Williams (Jason Williams and Jacinta Williams as trustees of the JJLO Trust)	190,600
11	Andrew Denman (Parsley Bay Holdings Pty Limited as trustee of the Parsley Bay Trust)	190,600
12	Katherine Porter (Katherine Porter as trustee of the Porter and Tomkins Trust)	71,475
13	Daryl Jackson (Jackson & Co Investments Pty Limited as trustee of the Jackson Family Trust)	47,650
B.	**STELLA MANAGEMENT EMPLOYEE SHARE SCHEME DEEDS**	
1	Elizabeth Gaines	1,048,298
2	Mike Thompson	476,499
3	Phill Turner	428,849
4	Michael Londregan	381,199
5	Gary Elliott	381,199
6	Russell Carstensen	381,199
7	Colin Hughes	381,199
8	Denis Pierce	381,199
9	Peter Egglestone	381,199
10	Melissa Watt	381,199
11	Peter Beveridge	285,899

Annexure A – Stella Option Holders continued

No.	Name	JTG Shares to be issued
12	Andrew Dale	238,249
13	Adrian Turner	190,600
14	Nicola Bennetts	190,600
15	Graeme Horner	190,600
16	Rajiv Chinnah	190,600
17	Jacqui Timmins	190,600
18	Kerri Owers-Brown	190,600
19	Alastair Scott	190,600
20	Kathryn Kennedy	142,950
21	Jane Henderson	119,125
22	James Brodie	95,300
23	Gareth Turner	95,300
24	Fiona van Wyk	95,300
25	Terence Davies	95,300
26	Chris Thistlethwaite	71,475
27	Jerome Sattrukalsinghe	23,825

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Governor Macquarie Tower
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Sydney NSW 2000

Legal adviser

Minter Ellison
Aurora Place
88 Phillip Street
Sydney NSW 2000

Investigating accountants

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10 Shelley Street
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