Webjet Limited

ABN 68 002 013 612

Interim Report

Half-Year Ended 31 December 2016

Corporate Information

Directors

David Clarke (Chairman and Independent Non-Executive Director)

John Guscic (Managing Director)

Don Clarke (Independent Non-Executive Director)

Roger Sharp (Independent Non-Executive Director)

Brad Holman (Independent Non-Executive Director)

Shelley Roberts (Independent Non-Executive Director)

Steven Scheuer (Non-Executive Director) (resigned 23 November 2016)

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Principal Administrative Office
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Company Secretary
Michael Sheehy
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Melbourne Vic 3004

Solicitors
Minter Ellison
525 Collins Street
Melbourne Vic 3001

Auditors
BDO
Level 7, BDO Centre
420 King William Street
Adelaide SA 5000

Bankers
National Australia Bank
Level 30, 500 Bourke Street
Melbourne Vic 3000

HSBC Bank Australia Limited
Level 32, 580 George Street
Sydney NSW 2000

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Directors' Report

The directors of Webjet Limited submit herewith the financial report of the company and its controlled entities for the half-year ended 31 December 2016.

Directors

The names of the directors of the company during or since the end of the half-year are:

David Clarke (Chairman and Independent Non-Executive Director)

John Guscic (Managing Director)

Don Clarke (Independent Non-Executive Director)

Roger Sharp (Independent Non-Executive Director)

Brad Holman (Independent Non-Executive Director)

Shelley Roberts (Independent Non-Executive Director)

Steven Scheuer (Non-Executive Director) (resigned 23 November 2016)

Principal activities

The principal activity of the Consolidated Entity is the provision of online travel bookings. The Consolidated Entity's business consists of a B2C division and WebBeds, its B2B division.

B2C Travel (business to consumer operations)
Our B2C Travel business operates the OTA consumer brands of Webjet and ZUJI, as well as various market leading businesses within the Online Republic group.

- **Webjet**: Established in 1998, Webjet is Australia and New Zealand's largest online travel agency (OTA), leading the way in online travel tools and technology. Webjet enables customers to compare, combine and book the best domestic and international travel flight deals, hotel accommodation, holiday package deals, travel insurance and car hire worldwide.
- **ZUJI** - Acquired in March 2013 to provide regional expansion within the OTA space, ZUJI is a leading online travel agency in Hong Kong and Singapore, with substantial operations in Australia. In November 2016, Zuji was sold to Uriel Aviation Holdings Limited, a Hong Kong based travel technology group.
- **Online Republic** - Acquired in June 2016, Online Republic is a market leading global e-commerce group based in New Zealand specialising in online bookings of rental cars, motorhomes, cruises and digital marketing consultancy.

WEBbeds (business to business operations)
The B2B Travel business sells hotels rooms to travel agent partners via the online channel. The aim is to provide a simplified business-to-business solution that places the broadest range of hotel rooms on sale worldwide into the hands of our partners, promptly, every day. Our B2B Travel business currently operates Lots of Hotels, Sunhotels and FIT Ruums businesses.

- **Lots of Hotels** - The B2B Travel business was launched in February 2013 with the establishment of Lots of Hotels based in Dubai. Lots of Hotels sources content ranging from one to five star hotels and resorts through a range of suppliers using a unique multi-supply aggregation strategy, offering rooms at more than 300,000 hotels worldwide. The Lots of Hotels supply model ensures clients find the best year-round rates and availability whenever and wherever they travel. Lots of Hotels currently operates in 26 markets, providing unique coverage across the Middle East and Africa. Lots of Hotels North America was launched in December 2015.
- **Sunhotels** - Acquired in July 2014, Sunhotels is an established online accommodation and ground services provider specialising in the provision of a wide range of hotels, apartments, experiences and transfers worldwide. Key destinations are Europe, Middle East, North America, the Caribbean and Thailand, with a strong position in Mediterranean beach destinations, selling into travel trade clients in the major markets of Nordic Countries, UK, Spain, Italy and Germany. In August 2016, Sunhotels announced a strategic sourcing partnership with Thomas Cook, one of Europe's leading holiday companies. The agreement will see Sunhotels take responsibility for the majority of the volume of Thomas Cook's complementary hotel business.
- **FIT Ruums** - Launched in November 2016, FIT Ruums focuses on B2B travel distribution for worldwide hotel accommodation and transfers in Asia. FIT Ruums is also dedicated to driving 360-degree business partnerships, National Tourism Organizations, strengthening the efficiency of travel technology and rewarding its suppliers and clients with a more user-friendly business solution. FIT Ruums offices are now open in Singapore, Hong Kong, South Korea and Taiwan.

Key events during the period

In August 2016, the Company entered into a strategic sourcing partnership with Thomas Cook, one of Europe's leading holiday companies which included the acquisition of around 3,000 direct hotel contracts. This increases the number of WEBbeds direct hotel contracts to around 10,000. The agreement will see Sunhotels take responsibility for the majority of the volume of Thomas Cook's complementary hotel business. Sunhotels will also be responsible for managing an improved health and safety audit process, ensuring greater certainty and consistency in the quality of the customer offering. Under the terms of the agreement, Webjet paid Thomas Cook £21 million for entering into the supply agreement. Until 31 December 2018, Sunhotels is entitled to charge a management and access fee for providing Thomas Cook on a preferred supplier basis a continuous supply of inventory from its directly contracted and third party provided hotels.

In November 2016, Webjet entered into a sale agreement to sell its Zuji Hong Kong and Singapore businesses (Zuji) to Reckon Holdings Limited and Sharp Focus Pacific Limited, subsidiaries of Uriel Aviation Holding Limited, a Hong Kong based travel technology group for $56.0 million. During the reporting period Webjet received an initial payment of $9.0 million. The balance of $47.0 million was received in January 2017. A post completion surplus cash adjustment of $6.0 million was received in February 2017.

In November 2016, the Company launched FIT Ruums, its entry strategy into the Asian B2B market. In November, it announced a trading partnership with DIDA Travel Technology, the largest travel aggregator in China.

Financial results

The table below sets out the financial performance of Consolidated Entity for the 6-month period to 31 December 2016 and compares it with the prior comparative period (PCP). The table shows both reported results as well as those for the continuing operations (which excludes Zuji and one off items).

Webjet Limited
Result Summary
Six Months Ended 31 December 2016

	Reported				Continuing Operations			
$ millions	**1H 17**	**1H 16**	**Incr / (Decr)**		**1H 17**	**1H 16**	**Incr / (Decr)**	
TTV	1,025	796	229	28.8%	900	667	234	35.1%
Revenue	124.5	73.8	50.7	68.8%	92.0	62.1	29.8	48.0%
EBITDA	49.7	18.2	31.5	173.4%	30.6	18.2	12.4	68.4%
EBIT	43.6	15.3	28.3	185.0%	25.9	15.3	10.6	69.1%
PBT	42.5	15.5	27.0	174.0%	24.8	15.5	9.3	59.8%
NPAT	39.4	10.7	28.7	268.7%	20.0	10.7	9.3	86.9%
EPS (cents)								
- Basic	40.7	13.2	27.4	207.7%	20.6	13.2	7.4	56.0%
- Diluted	40.0	13.2	26.8	203.3%	20.3	13.2	7.1	53.7%
Margins								
Revenue margin % ttv	12.2%	9.3%	2.9%		10.2%	9.3%	0.9%	
EBITDA margin % revenue	39.9%	24.6%	15.3%		33.3%	29.2%	4.0%	
Effective tax rate % profit	7.3%	31.1%	23.8%		19.5%	31.1%	(11.6%)	

During the six-month period, reported total transaction value (TTV) was $1,025 million, up 28.8% compared to the prior comparative period. TTV for the continuing operations was $900 million, up 35.1% on PCP. By business segment, B2C TTV increased by $186 million and B2B increased by $48 million, representing growth of 38.8% and 25.4% over the prior comparative period respectively.

Reported revenue was $124.5 million, an increase of 68.8% over PCP. One off revenue items included in this result were a $26.8 million gain from the sale of Zuji and a $5.5 million reduction in gross margin (from a revenue recognition change) associated with Webjet Exclusives, which changed its contracting arrangements with suppliers from acting as an agent to organising tours as a principal. Excluding these one-off items, revenue for the continuing operations increased by 48.0% to $92.0 million. Revenue margin (as a percentage of TTV) excluding one off items, was 10.2%, an increase of 0.9% compared to the prior comparative period. By business segment, B2C revenue from external customers increased by 52.6% over PCP to $68.4 million (1H16: $44.8 million) with a Revenue/TTV margin of 10.3% (1H16: 9.3%). B2B revenue from external customers increased by 36.3% to $23.6 million (1H16: $17.3 million) with a TTV margin of 10.1% (1H16: 9.2%).

Reported operating costs were $74.8 million, a 34.6% increase over PCP. These costs included one off costs of $2.5 million associated with the granting of non-recurring performance rights to key management personal and the early termination of Webjet's existing car hire supplier agreement. A new car hire agreement with Online Republic provides an immediate synergistic benefit of higher commissions, and taking into consideration the early termination costs, has an expected 18-month payback period.

Excluding these items, the operating costs were $72.4 million, up 30.2% over PCP (1H: $55.6 million). For the continuing operations, B2C costs increased by 49.5% to $40.8 million (1H16: $27.3 million) and B2B operating costs increased by 24.3% to $17.4 million (1H16: $14.0 million). Corporate costs were $3.1 million for the period, up 18.7% over the prior comparative period (1H16: $2.6 million).

Reported EBITDA was $49.7 million, a 173.4% increase over the prior comparative period (1H16 $18.2 million). Excluding the one off items of $18.9 million, EBITDA for the continuing operations was $30.6 million, an increase of 68.4% over PCP. Excluding one off items and before corporate costs EBITDA for the B2C division increased by 57.4% to $27.5 million (1H16 $17.5 million) and B2B EBITDA increased by 87.2% to $6.2 million (1H16: $3.3 million).

Reported depreciation and amortisation (D&A) increased by $3.2 million to $6.1 million (1H16: $2.9 million). This included a one-off $1.4 million write down of an investment in the USA. B2C D&A increased by $0.3 million to $1.8 million and B2B D&A, which included for the first time the $1.4 million amortisation of the Thomas Cook intangible asset, increased by $1.6 million to $2.9 million.

Financing costs, which included interest and fees associated with a new five year $36 million loan funding facility for the Thomas Cook agreement were $1.4 million (1H16 $0.6 million).

Reported profit before tax was $42.5 million, an increase of 174.0% over PCP. Excluding the $17.5 million one off items, profit before tax for continuing operations increased by 59.8% to $24.8 million.

Reported tax expense for the period was $3.1 million, $1.7 million lower than PCP. The tax expense was reduced by the impact of the Webjet Exclusives $5.5 million one off revenue recognition adjustment. No tax was payable on the capital gain arising from the sale of Zuji. Excluding one off items the tax expense was $4.8 million.

Reported net profit after tax (NPAT) increased 268.7% to $39.4 million (1H16: $10.7 million). For the continuing operations, NPAT increased 86.9% to $20.0 million.

Working capital and cash

Trade and other receivables increased by $54.7 million to $134.9 million. This includes $47.0 million in proceeds (received in January 2017) and $6.0 million of surplus cash from the Zuji sale. Excluding the one off Zuji receivable, the $7.7 million increase in trade and other receivables was driven by growth in the B2B division. When compared to the prior period, the creditor payments cycle in relation to the period close and the Webjet Exclusives revenue recognition change led to a $24.2 million lower balance of trade and other payables to $121.8 million.

The increase in receivables and reduction in creditors led to a $1.4 million outflow of net cash from operating activities. Adjusting for movements in Client Funds ($22.1 million 1H17; $21.6 million 2H16) cash before tax generated by the business was $6.2 million, compared with $31.0 million in 2H16 and $12.8 million in the 1H16 prior comparative period. On this basis, during the last three reporting periods, the Group has generated $50.0 million in cash, representing 91% of the $55.1 million accumulated earnings (profit before tax) excluding one off items over the same period.

In July 2016, the $27.2 million balance of funds from the retail component of the 6 June 2016 non-renounceable entitlement issue was received and used to repay the $31.5 million NAB short term funding arrangement.

External borrowings during the six-month period increased by $1.1 million to $56.6 million. Cash and equivalents were $95.0 million (1H16: $69.6 million). Client funds included in cash and equivalents were $22.1 million (1H16: $12.0 million).

For the six-month period, reported earnings per share increased by 207.7% to 40.7 cents. Earnings per share generated from the continuing operations increased by 56.0% to 20.6 cents (1H16 13.2 cents).

Changes in state of affairs

Disposal of Zuji business
On 31 December 2016, the Company completed the sale of its Hong Kong and Singapore Zuji businesses to Reckon Holdings Limited and Sharp Focus Pacific Limited, subsidiaries of Uriel Aviation Holding Limited, a Hong Kong based travel technology group. Total consideration from the Zuji sale was $56.0 million, plus post completion surplus cash adjustment.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial six-month period.

Future developments

Further information on likely developments in the operations of the Consolidated Entity and the expected results of those operations has not been included in this financial report because the directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Subsequent events

A total of $53.0 million was received post 31 December 2016, representing the residual balance payment and surplus cash adjustment relating to the sale of Zuji. Refer to note 3 for further details.

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

Dividends

The final dividend for the year ended 30 June 2016 of $0.08 per share fully franked to 100% was paid on 13 October 2016. The total payment was $7.81 million. An interim dividend for the six-month period ended 31 December 2016 of $0.075 per share fully franked totaling $7.32 million, has been declared by the directors for payment on 12 April 2017.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

Rounding of amounts

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

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

On behalf of the Directors

David Clarke
Chairman

Melbourne, 22 February 2017

Consolidated income statement

For the half-year ended 31 December 2016

		Consolidated	
		Half-year ended	
		31-Dec-16	31-Dec-15
	Note	**$ (000's)**	$ (000's)
Revenue		**95,651**	72,198
Investment income		**296**	807
Other gains and losses		**2,022**	1,579
Net gain on disposal of subsidiaries	3(a)	**26,847**	-
		124,816	74,584
Share of associates losses		**-**	(20)
Employee benefits		**(27,181)**	(18,837)
Depreciation, amortisation and impairments		**(6,085)**	(2,875)
Marketing expenses		**(16,743)**	(12,987)
Operating expenses		**(17,477)**	(14,627)
Share based payment expenses	6	**(1,104)**	(59)
Technology expenses		**(3,754)**	(4,048)
Administrative expenses		**(2,777)**	(2,253)
Finance costs		**(1,355)**	(560)
Directors' fees		**(321)**	(231)
Other expenses		**(5,494)**	(2,565)
Profit before tax		**42,525**	15,522
Income tax expense		**(3,111)**	(4,831)
Profit for the period		**39,414**	10,691
Profit attributable to:			
Owners of the parent		**39,414**	10,691
Non-controlling interests		**-**	-
		39,414	10,691
Earnings per share:			
Basic (cents per share)		**40.66**	13.24
Diluted (cents per share)		**40.01**	13.21

Notes to the consolidated financial statements are included on pages 12-16

Consolidated statement of comprehensive income

For the half-year ended 31 December 2016

	Consolidated	
	Half-year ended	
	31-Dec-16	31-Dec-15
	$ (000's)	$ (000's)
Profit for the period	**39,414**	10,691
Items that may be reclassified subsequently to profit or loss		
Exchange difference on translating foreign operations	**797**	743
Changes in the fair value of derivatives	**265**	(1,114)
	1,062	(371)
Items that have been subsequently reclassified to profit or loss		
Foreign exchange gain on disposal of subsidiaries	(4,785)	-
Other items	(367)	-
	(5,152)	-
Other comprehensive income for the period, net of income tax	**(4,090)**	(371)
Total comprehensive income for the period	**35,324**	10,320
Total comprehensive income attributable to:		
Owners of the parent	**35,324**	10,320
Non-controlling interests	**-**	-
	35,324	10,320

Notes to the consolidated income statements are included on pages 12-16

Consolidated balance sheet

For the half-year ended 31 December 2016

	Note	31-Dec-16 $ (000's)	30-Jun-16 $ (000's)
		Consolidated	
Current assets			
Cash and cash equivalents		**94,961**	116,215
Trade and other receivables		**134,858**	80,112
Other current assets		**14,924**	10,043
Current tax receivable		**392**	-
Total current assets		**245,135**	206,370
Non-current assets			
Investments in associates		**-**	88
Other financial assets		**255**	255
Other receivables		**1,566**	1,528
Deferred tax assets		**3,935**	4,409
Property, plant and equipment		**11,569**	11,758
Intangible assets		**161,168**	153,459
Total non-current assets		**178,493**	171,497
Total assets		**423,628**	377,867
Current liabilities			
Trade and other payables		**121,839**	146,062
Borrowings	9	**13,304**	38,351
Derivative financial liabilities		**594**	338
Current tax liabilities		**-**	4,114
Provisions		**4,180**	4,919
Other liabilities		**20,989**	3,281
Total current liabilities		**160,906**	197,065
Non-current liabilities			
Deferred tax liabilities		**3,459**	3,079
Borrowings	9	**43,268**	17,143
Provisions		**1,311**	874
Derivative financial liabilities		**526**	1,021
Other liabilities		**1,886**	7,124
Total non-current liabilities		**50,450**	29,241
Total liabilities		**211,356**	226,306
Net assets		**212,272**	151,561
Equity			
Issued capital	5	**133,943**	101,690
Reserves		**1,626**	4,768
Retained earnings		**76,703**	45,103
Equity attributable to owners of the parent		**212,272**	151,561
Non-controlling interests		**-**	-
Total equity		**212,272**	151,561

Notes to the consolidated financial statements are included on pages 12-16

Consolidated statement of cash flow

For the half-year ended 31 December 2016

		Consolidated	
		Half-year ended	
		31-Dec-16	31-Dec-15
	Note	**$ (000's)**	$ (000's)
Cash from operating activities			
Receipts from customers		**333,781**	224,474
Payments to suppliers and employees		**(326,245)**	(215,854)
Interest and other costs of finance paid		**(1,090)**	(732)
Interest received		**256**	807
Income tax paid		**(8,079)**	(2,663)
Net cash provided by / (used in) operating activities		**(1,377)**	6,032
Cash from investing activities			
Payments for property, plant and equipment		**(1,251)**	(663)
Purchase of intangibles		**(40,700)**	(3,557)
Proceeds from disposal of subsidiaries, net of cash disposed	3(b)	**2,580**	-
Dividends received		**65**	-
Net cash used in investing activities		**(39,306)**	(4,220)
Cash flows from financing activities			
Payment for dividends		**(7,814)**	(5,865)
Payments for borrowings		**(50,867)**	(2,000)
Proceeds from borrowings		**50,493**	-
(Advances) / repayments for related party loans		**-**	(1,464)
Proceeds from the issue of equity instruments of the Company		**29,070**	1,550
Net cash provided by / (used in) financing activities		**20,882**	(7,779)
Net (decrease) / increase in cash and cash equivalents		**(19,801)**	(5,967)
Cash and cash equivalents at the beginning of the financial year		**116,215**	76,230
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(1,453)**	(713)
Cash and cash equivalents at the end of the financial year		**94,961**	69,550

Notes to the consolidated financial statements are included on pages 12-16

Consolidated statement of changes in equity

For the half-year ended 31 December 2016

	Share capital $'000	Share based payment reserve $'000	AFS reserve	Cashflow hedge reserve	Foreign currency translation reserve $'000	Retained earnings $'000	Total attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
Balance at 1 July 2015	42,779	862	55	15	4,738	34,006	82,455	-	82,455
Profit for the year	-	-	-	-	-	10,691	10,691	-	10,691
Other comprehensive income for the year, net of income tax	-	-	-	(1,114)	743	-	(371)	-	(371)
Total comprehensive income for the year	-	-	-	(1,114)	743	10,691	10,320	-	10,320
Transactions with owners in their capacity as owners									
Issue of shares exercised through options	1,550	-	-	-	-	-	1,550	-	1,550
Share based payment expense recognised for the period	-	59	-	-	-	-	59	-	59
Payment of dividends	-	-	-	-	-	(5,865)	(5,865)	-	(5,865)
Sub-total	1,550	59	-	(1,114)	743	4,826	6,064	-	6,064
Balance at 31 December 2015	**44,329**	**921**	**55**	**(1,099)**	**5,481**	**38,832**	**88,519**	**-**	**88,519**
Balance at 1 July 2016	101,690	560	55	(1,154)	5,307	45,103	151,561	-	151,561
Profit for the year	-	-	-	-	-	39,414	39,414	-	39,414
Other comprehensive income for the year, net of income tax	-	-	-	265	(4,355)	-	(4,090)	-	(4,090)
Total comprehensive income for the year	-	-	-	265	(4,355)	39,414	35,324	-	35,324
Transactions with owners in their capacity as owners									
Contributions of equity, net of transaction costs and tax	30,257	-	-	-	-	-	30,257		30,257
Issue of shares exercised through options	1,840	-	-	-	-	-	1,840	-	1,840
Share based payment expense recognised for the period	-	1,104	-	-	-	-	1,104	-	1,104
Transfer from option reserve	156	(156)	-	-	-	-	-		-
Payment of dividends	-	-	-	-	-	(7,814)	(7,814)	-	(7,814)
Sub-total	32,253	948	-	265	(4,355)	31,600	60,711	-	60,711
Balance at 31 December 2016	**133,943**	**1,508**	**55**	**(889)**	**952**	**76,703**	**212,272**	**-**	**212,272**

Notes to the consolidated financial statements are included on pages 12-16

Notes to the consolidated financial statements

For the half-year ended 31 December 2016

1 Basis of preparation of half-year report

This general purpose consolidated interim financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The historical cost basis has been used, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

The consolidated interim financial report does not include notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the most recent annual financial report and any public announcements made by Webjet Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Share-based payments
Senior KMP of the Group receive remuneration in the form of share-based payments, whereby senior KMP render services as consideration for equity instruments (equity settled transactions). The cost of equity settled transactions is determined by the fair value at grant date using an appropriate valuation model, further details of which are provided in note 6 of this report. That cost is recognised in option expense, together with a corresponding increase in equity (equity-settled employee benefits reserve), over the period in which the service and performance conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Revenue recognition
The Group has concluded that it acts as both agent and principal in providing travel booking services. Revenue from travel bookings where the Company is acting as agent is recognised when the booking is made by the customer and payment has been received. Commission revenue is recognised upon the provision of the related service. Revenue from travel bookings where the Company is acting as principal is recognised on date of travel and presented in the consolidated income statement and cash flows on a gross basis.

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

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

2 Segment information

(a) Description of segments

Management has determined the operating segments and the segment information disclosed based on reports reviewed by the Managing Director that are used to make strategic decisions.

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

2 Segment information (continued)

(b) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the period ended 31 December 2016 and 31 December 2015 is as follows:

	Half- year ended							
	31-Dec-16					31-Dec-15		
	B2C One-off items $'000	B2C Travel (excl one-off) $'000	B2C Travel Total $'000	B2B Travel Total $'000	Total $'000	B2C Travel $'000	B2B Travel $'000	Total $'000
Revenues from external customers	(5,502)	78,011	72,509	23,142	95,651	55,221	16,977	72,198
Interest revenue	-	289	289	7	296	775	32	807
Depreciation, amortisation & impairments	(1,351)	(1,808)	(3,159)	(2,926)	(6,085)	(1,539)	(1,336)	(2,875)
Losses of associates	-	-	-	-	-	(20)	-	(20)
Profit / (loss) before tax	17,540	22,169	39,709	2,816	42,525	13,737	1,785	15,522
Income tax (expense) / benefit	1,721	(4,832)	(3,111)	-	(3,111)	(4,537)	(294)	(4,831)
Profit / (loss) after tax	19,261	17,337	36,598	2,816	39,414	9,200	1,491	10,691

	Half- year ended					
	31-Dec-16			31-Dec-15		
	B2C Travel $'000	B2B Travel $'000	Total $'000	B2C Travel $'000	B2B Travel $'000	Total $'000
Total assets	295,650	127,978	423,628	125,853	87,546	213,399
Total liabilities	158,463	52,893	211,356	60,032	64,848	124,880

There are no sales between segments. The revenue from external customers reported to the Managing Director is measured in a manner that is consistent with that in the consolidated income statement.

The amounts provided to the Managing Director with respect to total assets and total liabilities are measured in a manner that is consistent with that of the consolidated balance sheet.

(c) Other segment information

Webjet Limited is domiciled in Australia. For the purposes of this disclosure, revenue is determined by location of the customer and assets are allocated based on the legal entity ownership of the asset. The amount of revenue and non-current assets in Australia is as follows:

	Revenue		Non-Current Assets[1]	
	Half-year ended		Half-year ended	
	31-Dec-16 $'000	31-Dec-15 $'000	31-Dec-16 $'000	31-Dec-15 $'000
Australia	46,825	43,417	23,210	45,674
All other countries	48,826	28,781	151,093	39,131
	95,651	72,198	174,303	84,805

[1] Non-current assets excluding financial assets and deferred tax assets.

3 Disposal of subsidiary

The Company completed the sale of its Hong Kong and Singapore Zuji businesses to Reckon Holdings Limited and Sharp Focus Pacific Limited, subsidiaries of Uriel Aviation Holding Limited, a Hong Kong based travel technology group. Total consideration from the Zuji sale of $56,000,000, plus surplus cash adjustment, was received in three instalments; an initial deposit of $9,000,000 during the period, $47,000,000 balance payment in January 2017 and a post-completion surplus cash adjustment of $6,030,000.

(a) Aggregate details of the disposal are:

	31-Dec-16
	$'000
Disposal price	56,000
Surplus cash adjustment	6,030
Transaction costs	(1,528)
Cash consideration	**60,502**
Assets and liabilities held at disposal date	
Cash and cash equivalents	6,263
Trade and other receivables	4,922
Other assets	586
Property, plant & equipment	252
Intangible assets	31,201
Deferred tax assets (net)	907
Trade & other payables	(5,250)
Provisions	(123)
Other liabilities	(318)
Net assets disposed of	**38,440**
Reserves released on disposal	(4,785)
Net gain on sale of subsidiaries	**26,847**

(b) Reconciliation of investing cashflows from disposal of subsidiaries:

	31-Dec-16
	$'000
Deposit received	9,000
Less cash disposed of	(6,263)
Less selling costs paid	(157)
Net cash proceeds from disposal	**2,580**

4 Dividends paid

	Half-year ended		**Half-year ended**	
	31-Dec-16 Cents per share	**31-Dec-16 $'000**	**31-Dec-15 Cents per share**	**31-Dec-15 $'000**
Fully paid ordinary shares				
Dividends paid	8.00	7,814	7.25	5,865

5 Equity

(a) Share capital

	Half-year ended		Year ended	
	31-Dec-16 No. of shares	**31-Dec-16 $'000**	**30-Jun-16 No. of shares**	**30-Jun-16 $'000**
Ordinary shares				
Ordinary shares – fully paid	97,609,741	133,943	91,554,902	101,690

(b) Movements in ordinary shares:

	Note	Half-year ended		Year ended	
		31-Dec-16 No. of shares (thousands)	**31-Dec-16 $'000**	**30-Jun-16 No. of shares (thousands)**	**30-Jun-16 $'000**
Details					
Opening balance		91,555	101,690	80,398	42,779
Transfer from share based payment reserve	(i)	11	156	-	420
Exercise of options – proceeds received	(ii)	500	1,840	1,000	3,040
Acquisition of subsidiary - Online Republic		-	-	2,756	15,437
Rights issue	(iii)	5,544	31,046	7,401	41,445
Less: transaction costs arising on share issue		-	(789)	-	(1,871)
Deferred tax credit recognised directly in equity		-	-	-	440
Closing balance		97,610	133,943	91,555	101,690

(i) Includes 11,151 shares of the Employee Share Plan Trust which vested on the disposal of Zuji HK and SG businesses.
(ii) 500,000 options were exercised by John Guscic on the 23 August 2016 at an exercise price of $3.68.
(iii) A total of 5,543,678 shares were issued to retail and shortfall institutional investors on 1 July 2016 in relation to the rights issue offered to shareholders in June 2016.

6 Share-based payments

During the period, a total of 304,477 performance rights were granted to senior KMP under the Employee Share Plan Trust. The fair value at grant date is estimated using a valuation model, taking into account the terms and conditions upon which the performance rights were granted. The fair value of the performance rights granted during the six months ended 31 December 2016 was estimated on the grant date using the following assumptions:

	Webjet & Zuji	**FIT Ruums**
Key assumptions		
Vesting basis	Tenure & ASX 300 TSR	Tenure & KPIs
Pricing model	Monte Carlo	Binomial
Exercise price	Nil	Nil
Dividend yield (%)	0	0
Risk-free interest rate (%)	1.6	1.4 – 1.6
Expected volatility (%)	39 – 44	39 – 44
Expected life of performance rights (years)	1.25 – 3.35	0.89 – 3.13
Fair value per share ($)	3.90 – 4.10	7.45 – 9.17

For the six months ended 31 December 2016, the Group has recognised $1,103,909 of share-based payment expense in the statement of profit and loss (2015: $59,075).

7 Business Combinations

On 1 June 2016, Webjet Limited acquired 100% of Online Republic Group. Details of this business combination, including net asset acquired, goodwill and purchase consideration were disclosed in note 28 of the group's annual financial statements for the year ended 30 June 2016. The Group has not yet finalised the accounting for the acquisition of Online Republic Group, as such, provisional accounting in the determination of the fair value of assets and liabilities has been applied.

8 Contingent assets and liabilities

There are no contingent assets or liabilities requiring disclosure at the date of this report.

9 Borrowings

	31 December 2016			30 June 2016		
	Current	Non-Current	Total	Current	Non-Current	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans	13,304	43,268	56,572	38,351	17,143	23,994
Total borrowings	**13,304**	**43,268**	**56,572**	**38,351**	**17,143**	**55,494**

On 9 September 2016, the Group entered into a 5 year unsecured loan amounting to USD $27,554,100. The proceeds of the loan were used to fund the acquisition of direct hotel contracts under the Thomas Cook Agreement. Current portion of the borrowings represents the next two scheduled repayments of USD $2,100,000 due 20 June 2017 and 20 December 2017.

On 15 June 2016, the Group entered into a short term bank loan amounting to $31,500,000. The proceeds from the loan were used to fund the acquisition of Online Republic. Following the receipt of funds from the retail share placement which settled on 1 July 2016, the loan was repaid.

During the prior period, the Group obtained a USD $10,000,000 unsecured working capital facility with HSBC of which as at 31 December 2016 an amount of USD $2,500,000, AUD equivalent $3,471,500 has been drawn down by the B2B business (30 June 2016: USD $2,120,000 / AUD equivalent $2,851,000). During the six-month period, the borrowings held at 30 June 2016 of USD $2,120,000 were repaid in full and subsequently USD $2,500,000 was drawndown in November 2016.

In 2014, the Group obtained an unsecured long term bank loan amounting to A$27,150,000. The loan bears interest at variable market rates and is carried at amortised cost over a 3 year maturity. The proceeds from the loan were used to fund the Sunhotels acquisition. There are bi-annually scheduled repayments of $2,000,000 due on 13 January 2017 and 15 July 2017.

10 Events after the reporting period

A total of $53.0 million was received post 31 December 2016, representing the residual balance payment and surplus cash adjustment of the Zuji sale.

The directors declared an interim dividend of 7.5 cents per share fully franked totalling $7.32 million to be paid to shareholders on 12 April 2017.

Directors' Declaration

The directors declare that:

(a) in the directors opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the *Corporations Act 2001.*

On behalf of the Directors

David Clarke
Chairman

Date: 22 February 2017

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DECLARATION OF INDEPENDENCE
BY MICHAEL HAYDON
TO THE DIRECTORS OF WEBJET LIMITED

As lead auditor for the review of Webjet Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Webjet Limited and the entities it controlled during the period.

Michael Haydon
Director

BDO Audit (SA) Pty Ltd

Adelaide, 22 February 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF WEBJET LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Webjet Limited, which comprises the consolidated balance sheet as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Webjet Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Webjet Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Webjet Limited is not in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001

BDO

BDO Audit (SA) Pty Ltd

Michael Haydon
Director

Adelaide, 22 February 2017