



HELLOWORLD TRAVEL LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2017

ABN 60 091 214 998

ASX CODE: HLO

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DIRECTORS' REPORT

The Directors of Helloworld Travel Limited ("Helloworld Travel"), present their Report together with the Interim Financial Statements of the Consolidated Entity ("Group") being Helloworld Travel Limited and the entities that it controlled at the end of, or during, the half year ended 31 December 2017 and the Independent Auditor's Review Report.

DIRECTORS

The Directors of the Company in office at any time during or since the end of the half year follows, unless otherwise stated:

- Garry Hounsell (Chairman)
- Andrew Burnes (Chief Executive Officer and Managing Director)
- Cinzia Burnes
- Mike Ferraro
- Andrew Finch
- Peter Spathis (resigned 16 November 2017)

PRINCIPAL ACTIVITIES

The principal activities during the half year of the entities in the Group were the selling of international and domestic travel products.

Helloworld Travel Limited is a leading Australian and New Zealand travel distribution company comprising of retail franchise travel businesses, destination management services (for inbound Australian, New Zealand and South Pacific travel), air ticket consolidation, wholesale leisure (domestic and outbound), corporate and online operations. Retail franchise operations include Helloworld Travel, consisting of Australia's largest network of branded franchised travel agents, as well as the Helloworld Travel associate network, Helloworld for Business Travel, My Travel Group and Mobile Travel Agents.

The Group has three main operating segments within its structure based on the geographical location of where the business is managed:

- Australia Segment, consisting of Australian operations;
- New Zealand Segment, consisting of New Zealand operations; and
- Rest of World Segment, consisting of Insider Journeys, Tourist Transport Fiji (TTF), Inbound Fiji and Qantas Vacations.

Helloworld Travel operations are located in Australia, New Zealand, Fiji, South East Asia, India, the United States of America, the United Kingdom and Europe.

The Group's brands include Helloworld, Helloworld Travel, helloworld.com.au, Qantas Holidays, Viva! Holidays, AOT Inbound, ATS Pacific, ETA, Insider Journeys, Air Tickets, Sunlover Holidays, GO Holidays, QBT, APX Travel Management and Qantas Vacations (USA).

REVIEW OF OPERATIONS

Overview of results

Helloworld Travel's key financial results for the half year ended 31 December 2017 compared with the prior corresponding period for the half year ended 31 December 2016 are:

- Total transaction value (TTV) was \$2,967.9 million, an increase of \$77.8 million or 2.7%;
- Revenue was \$164.9 million, a decrease of \$6.3 million or 3.7%;
- Earnings before interest expense, tax, depreciation and amortisation (EBITDA) was \$35.5 million, an increase of \$5.5 million or 18.2%;
- Profit before income tax expense was \$26.0 million, an increase of \$7.3 million or 39.2%;
- Profit after income tax expense was \$18.1 million, an increase of \$5.2 million or 40.0%; and
- Interim fully franked dividend of 7.0 cents per share, an increase of 1.0 cent or 16.7%.

TTV grew by 2.7% to \$2,967.9 million underpinned by strong volume growth, partially offset by lower ticket prices. Revenue decreased by 3.7% to \$164.9 million mainly due to the prior comparative period including revenue from the disposed air representation business, disposed company owned stores and the restructured Insider Journeys business. Excluding these factors, revenue decreased by \$1.6 million or 1.0% reflecting the continued lower airfare prices and mix change across business units and products.

Operating costs are significantly below the prior corresponding period reflecting the continual focus on cost reduction initiatives to right size the cost base, with significant decreases reported in employee expenses and operating costs.

Through Helloworld Travel's focus on profitable revenue streams and realisation of cost reduction benefits, Helloworld Travel has delivered strong EBITDA growth of \$5.5 million to \$35.5 million for the half year ended 31 December 2017. Depreciation and amortisation decreased by \$1.1 million to \$8.9 million due to more stringent capital management in the 2017 financial year. In addition, finance expense reduced by \$0.8 million to \$0.7 million reflecting the new long term secured banking facility entered into with Westpac in May 2017 on more favourable terms and conditions.

Profit before tax increased by \$7.3 million to \$26.0 million. The income tax expense effective rate was 30.4%. As a result, the profit after tax was \$18.1 million, an increase of \$5.2 million or 40.0% compared with the prior corresponding period. Helloworld Travel has delivered a strong profit result and basic earnings per share growth of 33.9% to 15.4 cents per share, whilst maintaining a healthy balance sheet position. This has enabled Helloworld Travel to increase its declared, fully franked interim dividend by 16.7% to 7.0 cents per share and be well positioned for long term sustainable growth.

Shareholder returns

Basic earnings per share for the half year ended 31 December 2017 was 15.4 cents per share (2016: 11.5 cents per share). Diluted earnings per share for the half year ended 31 December 2017 was 15.3 cents per share (2016: 11.5 cents per share).

	December 2017 cents per share	December 2016 cents per share
Final prior year dividend, paid in interim period	8.0	2.0
Interim dividend declared	7.0	6.0
Total dividends declared or paid	15.0	8.0

On 20 September 2017, the Group distributed an 8.0 cents per share fully franked final dividend for the year ended 30 June 2017, amounting to \$9.7 million.

On 19 February 2018, the Group declared a 7.0 cents per share fully franked interim dividend. The dividend is to be paid on 9 March 2018, with a record date of 26 February 2018. The dividend will be paid out of current year profit, but is not recognised as a liability as at 31 December 2017.

Acquisitions and disposals

Helloworld Travel has continued to undertake strategic acquisitions.

During the current year, Helloworld Travel has undertaken the following two investments as part of its strategy:

- On 31 August 2017, the Group acquired 12.0% of Hunter Travel Group Pty Ltd (HTG). In addition, Helloworld Travel sold 75.0% ownership of the wholly owned controlled entity, HTG Australia Pty Ltd to HTG, which held seven company owned stores. These stores were the only company owned stores in the Australian network. Helloworld Travel retains 25.0% ownership interest in HTG Australia Pty Ltd. In addition to these seven stores, HTG has seven branded stores in Newcastle and surrounding areas together with two cruise travel centres. HTG also operates eight Royal Automobile Club of Tasmania (RACT) travel outlets in Tasmania and one Cruise Travel Centre in Hobart. The consideration for the investment in HTG amounted to \$1.0 million, consisting of cash consideration of \$0.4 million and the net assets in HTG Australia Pty Ltd of \$0.6 million.
- On 31 August 2017, the Group acquired 20.0% of Cooney Investments Pty Ltd, operators of branded network member agencies' Helloworld Travel Mackay and Helloworld Travel Mount Pleasant. In addition, Cooney Investments Pty Ltd also operate Hosted Journeys Group Travel and Events, which offers hosted tour products. The consideration for the investment in Cooney Investments Pty Ltd amounted to \$0.8 million, consisting of cash consideration of \$0.5 million and issued shares in Helloworld Travel of \$0.3 million.

Refer note 7 for further details on the acquisitions and disposals undertaken in the current half year.

Equity issuance

During the current half year, Helloworld Travel Limited has issued the following shares:

- 850,000 shares to senior executives under the loan funded long term incentive plan (LTIP). The objective of the LTIP is to lock in key leaders for an extended period of time, whilst at the same time, incentivising them to generate superior long term returns for shareholders. These shares are subject to future market and non-market vesting conditions.
- 30,000 shares to the franchise member network under the franchise loyalty plan. These shares are subject to future non-market vesting conditions.
- 73,395 shares forming part of the consideration on purchase of Helloworld Travel's investment noted above.

Liquidity and funding

Helloworld Travel has a strong balance sheet as at 31 December 2017 with general cash of \$37.6 million, which exceeds the external borrowings of \$19.9 million. There is capacity to draw down an additional \$29.5 million under long term secured debt facilities.

As at 31 December 2017, the total cash balance of \$160.0 million (June 2017: \$198.1 million, December 2016: \$166.5 million) consisted of general cash of \$37.6 million (June 2017: \$34.7 million, December 2016: \$34.0 million) and client cash of \$122.4 million (June 2017: \$163.3 million, December 2016: \$132.5 million). The client cash of \$122.4 million has decreased by \$40.9 million since 30 June 2017 reflecting the seasonality of monies held by the Group for intending travellers or customers prior to travelling. The decrease in client cash has led to a negative reported operating cash flow of \$(17.4) million (2016: \$(24.6) million). Excluding the movement in client cash, the underlying operating cash flow would be positive \$23.5 million (2016: \$19.3 million).

As at 31 December 2017, the Group has external borrowings of \$19.9 million (June 2017: \$20.4 million, December 2016: \$29.6 million) with available headroom on its debt facilities of \$29.5 million (June 2017: \$28.4 million, December 2016: \$40.4 million). There have been no significant movements in external borrowings since 30 June 2017.

EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years except for the following items:

- On 19 February 2018, the Group declared a 7.0 cents per share fully franked interim dividend; and
- On 19 December 2017, Helloworld Travel announced its acquisition of Magellan Travel Group for a total consideration of \$32.5 million. The settlement of the transaction is expected to occur by the end of February.

Refer note 12 for further details on the events after the reporting period.

AUDITOR'S INDEPENDENCE DECLARATION

The Directors received the declaration of independence on page 7 from PricewaterhouseCoopers (PwC), the auditor of Helloworld Travel Limited. This declaration confirms the auditor's independence and forms part of the Directors' Report.

ROUNDING OF AMOUNTS

The amounts contained in this Directors' Report and in the Consolidated Interim Financial Report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under Australian Securities & Investments Commission ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Made in accordance with a resolution of the Directors.



Garry Hounsell
Chairman

19 February 2018
Melbourne

Auditor's Independence Declaration

As lead auditor for the review of Helloworld Travel Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink, appearing to read 'A. Cronin'.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
19 February 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
for the half year ended 31 December 2017

	Note	Consolidated 31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenue		164,887	171,222
Employee benefits expenses		(66,515)	(72,260)
Advertising and marketing expenses		(16,097)	(16,921)
Selling expenses		(20,959)	(21,155)
Communication and technology expenses		(10,626)	(10,611)
Occupancy and rental expenses		(6,027)	(6,831)
Operating expenses		(10,013)	(13,482)
Share of profit of associates accounted for using the equity method		886	108
Earnings before interest expense, tax, depreciation and amortisation (EBITDA)		35,536	30,070
Finance expense		(656)	(1,408)
Depreciation and amortisation expense		(8,872)	(9,984)
Profit before income tax expense		26,008	18,678
Income tax expense		(7,907)	(5,748)
Profit after income tax expense		18,101	12,930
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value of cash flow hedges		237	1,525
Income tax expense on cash flow hedges		(78)	(480)
Exchange differences on translation of foreign operations		(1,832)	308
Other comprehensive income/(loss), net of tax		(1,673)	1,353
Total comprehensive income		16,428	14,283
Profit for the half year is attributable to:			
Non-controlling interest		56	35
Owners of Helloworld Travel Limited		18,045	12,895
		18,101	12,930
Total comprehensive income for the half year is attributable to:			
Non-controlling interest		56	35
Owners of Helloworld Travel Limited		16,372	14,248
		16,428	14,283
Basic earnings per share	5	Cents 15.4	Cents 11.5
Diluted earnings per share	5	15.3	11.5

*The above statement of profit or loss and other comprehensive income should be read in
conjunction with the accompanying notes*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Note	Consolidated 31 Dec 2017 \$'000	30 Jun 2017 \$'000
Current assets			
Cash and cash equivalents	6	159,982	198,070
Trade and other receivables		135,863	125,227
Inventories		534	529
Total current assets		296,379	323,826
Non-current assets			
Trade and other receivables		2,687	268
Investments accounted for using the equity method	7	19,339	16,657
Investment properties		175	175
Property, plant and equipment		12,594	13,827
Intangible assets		280,918	283,302
Deferred tax assets		695	888
Total non-current assets		316,408	315,117
Total assets		612,787	638,943
Current liabilities			
Trade and other payables		196,569	202,306
Borrowings	8	-	104
Provisions		16,182	16,005
Deferred revenue		43,615	73,367
Derivative financial instruments		293	799
Income tax payable		4,122	5,879
Total current liabilities		260,781	298,460
Non-current liabilities			
Borrowings	8	19,868	20,253
Deferred tax liabilities		38,608	35,191
Provisions		2,062	2,147
Other non-current liabilities		2,397	2,988
Total non-current liabilities		62,935	60,579
Total liabilities		323,716	359,039
Net assets		289,071	279,904
Equity			
Issued capital	9	396,133	395,081
Reserves	10	6,525	7,150
Accumulated losses	11	(115,033)	(123,717)
Equity attributable to the owners of Helloworld Travel Limited		287,625	278,514
Non-controlling interest		1,446	1,390
Total equity		289,071	279,904

The above statement of financial position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year ended 31 December 2017

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2016	366,235	163,051	(292,218)	1,330	238,398
Profit after income tax expense	-	-	12,895	35	12,930
Other comprehensive income	-	1,353	-	-	1,353
Total comprehensive income for the half year	-	1,353	12,895	35	14,283
<i>Transactions with owners in their capacity as owners, net of tax:</i>					
LTIP expensed	-	197	-	-	197
Issue of new shares, net of transaction costs	28,503	-	-	-	28,503
Dividends	-	-	(2,197)	-	(2,197)
Balance at 31 December 2016	394,738	164,601	(281,520)	1,365	279,184

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2017	395,081	7,150	(123,717)	1,390	279,904
Profit after income tax expense	-	-	18,045	56	18,101
Other comprehensive loss	-	(1,673)	-	-	(1,673)
Total comprehensive income/(loss) for the half year	-	(1,673)	18,045	56	16,428
<i>Transactions with owners in their capacity as owners, net of tax:</i>					
LTIP expensed	-	386	-	-	386
Franchise loyalty plan expensed	-	662	-	-	662
Issue of new shares, net of transaction costs	1,052	-	-	-	1,052
Dividends	-	-	(9,684)	-	(9,684)
Dividends associated with LTIP	-	-	323	-	323
Balance at 31 December 2017	396,133	6,525	(115,033)	1,446	289,071

The above statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2017

	Note	Consolidated 31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,473,045	1,414,965
Payments to suppliers and employees (inclusive of GST)		(1,484,561)	(1,436,327)
Interest received		1,463	1,405
Finance costs paid		(719)	(1,175)
Income taxes paid		(6,611)	(3,499)
Net cash used in operating activities		(17,383)	(24,631)
Cash flows from investing activities			
Payments for intangibles		(5,665)	(4,296)
Payments for property, plant and equipment		(1,533)	(1,945)
Payments for investments in associates		(930)	(14,349)
Payments for deferred settlement on acquisition of controlled entities		-	(731)
Proceeds from disposal of property, plant and equipment		5	178
Dividends from associates		27	-
Net cash used in investing activities		(8,096)	(21,143)
Cash flows from financing activities			
Repayments of borrowings		(104)	(17,046)
Proceeds of share issues, net of transaction costs		732	28,503
Dividends paid to company shareholders	4	(9,475)	(2,197)
Loans provided to related parties for equity accounted investments		(2,900)	-
Loans paid from related parties for equity accounted investments		477	-
Net cash from/(used in) financing activities		(11,270)	9,260
Net decrease in cash and cash equivalents		(36,749)	(36,514)
Cash and cash equivalents at the beginning of the financial half year		198,070	202,621
Effects of exchange rate changes on cash and cash equivalents		(1,339)	376
Cash and cash equivalents at the end of the financial half year		159,982	166,483

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1. Basis for preparation of half year report

(a) Reporting entity

Helloworld Travel Limited (The Company) is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange (ASX).

The Consolidated Interim Financial Report (financial report) of Helloworld Travel Limited and its controlled entities (the Group), for the six months ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 19 February 2018. The directors have the power to amend and reissue the financial report.

The nature of the operations and principal activities of the Group are described in the Directors' Report. Helloworld Travel is a for profit entity for the purpose of preparing the financial report.

(b) Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), AASB 134: Interim Financial Reporting, adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Group complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial report does not include all of the information required for the annual financial report. Accordingly, this report should be read in conjunction with the consolidated financial report of Helloworld Travel for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(c) Basis of measurement

The financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities (including derivative instruments) and investment property measured at fair value.

(d) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191 relating to the "rounding off" of amounts in the financial report. Amounts in this financial report have been rounded off in accordance with the instrument to the nearest thousand dollars, except where otherwise indicated.

(e) Functional and presentational currency

The financial report is presented in Australian dollars, which is the Group's presentational currency. Items included in the financial report of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

(f) Comparative periods

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

(g) Consistent application of accounting policies

The accounting policies have been consistently applied by all entities included in the financial report. The accounting policies have been consistently applied compared with the previous financial year and corresponding interim reporting period.

(h) New and amended accounting standards

The Group has not changed or amended any accounting policies as a result of revised accounting standards during the reporting period commencing 1 July 2017.

Note 2. Expenses

	Consolidated 31 Dec 2017	31 Dec 2016
	\$'000	\$'000

Profit before income tax expense includes the following specific expenses:

Depreciation	(2,144)	(3,224)
Amortisation	(6,728)	(6,760)
Impairment of receivables	(154)	(131)
Rental expense under operating leases	(4,785)	(5,991)
Franchise loyalty plan expense	(662)	-

Note 3. Operating segments

(a) Description of segments

In the financial year ended 30 June 2017, the Group revised its internal management reporting structure for the Chief Executive Officer and Board (the Chief Operating Decision Makers or CODMs) to better review and assess the performance of the business. The structure is on a geographical basis and all internal reports reviewed and used by the CODMs in assessing performance and making strategic decisions are prepared on this basis.

The Group has the following three segments:

- Australia;
- New Zealand; and
- Rest of World.

The segments are based on the geographical location of where the businesses are managed. The Australian and New Zealand segments each have retail franchise operations, air ticketing, wholesale & inbound, and travel management businesses. Australia and New Zealand also contain corporate support units performing shared service functions, which are fully allocated to all segments within segment expenses. The Rest of World segment consists of the wholesale businesses of Insider Journeys, Tourist Transport Fiji (TTF) and Qantas Vacations in North America, in addition to the inbound business in Fiji.

Comparative information for the half year ended 31 December 2016 has been restated to reflect the new segment basis.

Note 3. Operating segments (continued)

(b) Segment information provided to the CODMs

The CODMs assess the performance of the operating segments based on a measure of earnings before interest expense, tax, depreciation and amortisation (EBITDA). Interest income on client funds is included within segment revenue and EBITDA.

Segment results for the Group are shown below:

CONSOLIDATED	Australia \$'000	New Zealand \$'000	Rest of World \$'000	Total \$'000
Period ended 31 December 2017				
Segment revenue	127,522	27,659	9,706	164,887
Segment expenses	(94,421)	(26,234)	(9,582)	(130,237)
Equity accounted profits	886	-	-	886
EBITDA	33,987	1,425	124	35,536

Period ended 31 December 2016

Segment revenue	129,984	29,774	11,464	171,222
Segment expenses	(101,014)	(28,160)	(12,086)	(141,260)
Equity accounted profits	108	-	-	108
EBITDA	29,078	1,614	(622)	30,070

(c) Other information

A reconciliation of EBITDA to profit before income tax expense is provided as follows:

	Consolidated	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000
EBITDA	35,536	30,070
Depreciation	(2,144)	(3,224)
Amortisation	(6,728)	(6,760)
Finance expense	(656)	(1,408)
Profit before income tax expense	26,008	18,678

Note 4. Dividends paid and proposed

	Consolidated	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Dividends paid during the financial half year:		
Final prior year dividend of 8.0 cents per share (2016: 2.0 cents per share), distributed on 20 September 2017 (2016: 16 September 2016)	9,684	2,197
Dividends associated with LTIP	(209)	-
Dividends paid per statement of cash flows	<u>9,475</u>	<u>2,197</u>
Dividends proposed, not recognised at the end of the financial half year:		
Declared interim dividend of 7.0 cents per share (2016: 6.0 cents per share), expected amount to be distributed on 9 March 2018 (2016: 20 March 2017) (i)	<u>8,481</u>	<u>7,212</u>

All dividends paid or declared are fully franked.

(i) The interim dividend is not recognised as a liability as at 31 December 2017. Refer note 12 for further details on the interim dividend declared subsequent to reporting date.

Note 5. Earnings per share

(a) Basic and diluted earnings per share

	Consolidated	
	31 Dec 2017 Cents	31 Dec 2016 Cents
Total basic earnings per share from continuing operations attributable to ordinary equity holders of the Company	<u>15.4</u>	<u>11.5</u>
Total diluted earnings per share from continuing operations attributable to ordinary equity holders of the Company	<u>15.3</u>	<u>11.5</u>

Basic earnings per share (EPS) was calculated for the half year ended 31 December 2017 based on the profit attributable to ordinary shareholders of \$18.0 million (2016: \$12.9 million) and a denominator of weighted average number of ordinary shares outstanding of 117,036,238 (2016: 112,425,375).

(b) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Net profit for the financial half year attributable to owners of Helloworld Travel	18,045	12,895
Profit attributable to non-controlling interest	56	35
Profit after income tax expense	<u>18,101</u>	<u>12,930</u>

Note 5. Earnings per share (continued)

(c) Weighted average number of shares used in denominator

	Consolidated	
	31 Dec 2017	31 Dec 2016
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	117,036,238	112,425,375
Adjustment for shares issued under franchise loyalty plan	662,304	39,815
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u>117,698,542</u>	<u>112,465,190</u>

Shares issued under the franchise loyalty plan and the loan funded LTIP are excluded from basic EPS due to the terms and conditions attached to these shares.

The franchise loyalty shares are included in dilutive EPS reflecting the forward non-market vesting conditions and the nil consideration paid on issue of the shares.

The LTIP shares are excluded from dilutive EPS reflecting the forward market vesting conditions attached to the shares. For the half year ended 31 December 2017, Helloworld Travel has a weighted average number of potential ordinary shares relating to the LTIP of 3,259,239 (2016: 1,381,793).

Refer note 9 for further details on the nature of shares issued in the current half year relating to the franchise loyalty plan and loan funded LTIP.

Note 6. Cash and cash equivalents

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Cash at bank and on hand	37,566	33,950
Client cash	122,416	132,533
	<u>159,982</u>	<u>166,483</u>

Client cash includes all monies entrusted to the Group by intending travellers or customers prior to travelling. A corresponding liability is recorded on the consolidated statement of financial position while the cash is held on the clients' behalf prior to being paid to principals.

Note 7. Investments accounted for using the equity method

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Investments in associates and joint ventures	19,393	16,711
Provision for diminution in value	(54)	(54)
	19,339	16,657

(a) Movement in carrying amounts

	Consolidated	
	Half year	Full year
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Carrying amount at the beginning of the financial year	16,657	1,563
Additions due to acquisitions	1,832	14,217
Share of profits after income tax expense	886	859
Dividends received	(27)	-
Other movements	(9)	18
	19,339	16,657

(b) Acquisition in Hunter Travel Group Pty Ltd (HTG)

On 31 August 2017, the Group acquired 12.0% of HTG. In addition, Helloworld Travel sold 75.0% ownership of the wholly owned controlled entity, HTG Australia Pty Ltd to HTG, which held seven company owned stores that were the only company owned stores in the Australian network. Helloworld Travel retains 25.0% ownership interest in HTG Australia Pty Ltd. The consideration for the investment in HTG amounted to \$1.0 million, consisting of cash consideration of \$0.4 million and the net assets in HTG Australia Pty Ltd of \$0.6 million.

Due to the ownership interest held of 12.0% in HTG and its subsidiary, HTG Australia Pty Ltd (which Helloworld Travel also has retained a 25.0% direct ownership interest) and Board representation on HTG, Helloworld Travel has significant influence over the HTG business. As a result, the investment is accounted for using the equity method of accounting, after initially being recognised at cost.

(c) Acquisition in Cooney Investments Pty Ltd

On 31 August 2017, the Group acquired 20.0% of Cooney Investments Pty Ltd. The consideration for the investment in Cooney Investments Pty Ltd amounted to \$0.8 million, consisting of cash consideration of \$0.5m and 73,395 issued shares in Helloworld Travel valued at \$0.3 million. The issued share consideration was based on its fair value at transaction date, representing the Helloworld Travel share price on 31 August 2017 of \$4.36 per share.

Helloworld Travel has significant influence over Cooney Investments Pty Ltd. As a result, the investment is accounted for using the equity method of accounting, after initially being recognised at cost.

Note 8. Borrowings

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Current borrowings		
Unsecured financing	-	104
Non-current borrowings		
Secured bank loan	20,505	20,827
Deferred borrowings costs	(637)	(574)
	19,868	20,253

The Group has on issue at 31 December 2017 bank guarantees and letters of credit totalling \$10.0 million (June 2017: \$10.8 million).

The Group has secured financing arrangements with the Westpac Banking Corporation of \$60.0 million. The facility expires in May 2022. The secured bank loan, bank guarantees and letters of credit amount to \$30.5 million (June 2017: \$31.6 million), therefore the remaining unused facility was \$29.5 million (June 2017: \$28.4 million).

Note 9. Issued capital

(a) Shares on issue

	Consolidated			
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
	Shares	Shares	\$'000	\$'000
Issued capital – fully paid	117,174,813	116,938,418	396,316	395,264
Issued capital – issued, but not vested (i)	3,983,000	3,266,000	(183)	(183)
Issued capital	121,157,813	120,204,418	396,133	395,081

Holders of ordinary shares in Helloworld Travel are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Helloworld Travel shareholders' meetings. In the event of the winding up of Helloworld Travel, ordinary shareholders rank after creditors and are fully entitled to any proceeds on liquidation. Ordinary shares have no par value and Helloworld Travel does not have a limited amount of authorised capital.

(i) Issued, but not vested capital relates to shares that have been issued under the long term incentive plan and the franchise loyalty plan which have not yet met their vesting conditions.

(b) Movements in shares on issue

Details	Date	Consolidated Shares	\$'000
Balance	1 July 2017	120,204,418	395,081
Long term incentive plan (i)	26 July 2017	350,000	-
Long term incentive plan (i)	30 August 2017	500,000	-
Forfeited franchise loyalty shares converted to ordinary capital (ii)	31 August 2017	-	58
Shares offered as consideration for ownership interest in Cooney Investments (iii)	21 September 2017	73,395	320
Forfeited LTIP shares converted to ordinary capital (iv)	1 November 2017	-	690
Franchise loyalty plan (v)	24 November 2017	30,000	-
Capital raising costs		-	(16)
Balance	31 December 2017	121,157,813	396,133

Note 9. Issued capital (continued)

(i) Long term incentive plan (LTIP)

During the current half year, the Group issued 850,000 shares to executives under the existing loan funded LTIP at a price of \$3.81 per share. A loan is provided to each participant equal to the number of shares issued at \$3.81. The loan is to be repaid to Helloworld Travel on the sale of shares after vesting conditions are met.

The 850,000 shares issued under the LTIP have a 3 year vesting period, with vesting date of 1 July 2020, subject to both market and non-market conditions being met. If the employee leaves Helloworld Travel, or the conditions are not met prior to the vesting date, the shares will be forfeited. Dividends on the shares are payable as a reduction of the loan value during the vesting period if declared by the Group.

The assessed fair value of the shares granted during the half year ended 31 December 2017 was \$0.78 per share with the total value of \$0.7 million amortised as a share based payment expense over the 3 year vesting period.

(ii) Forfeited franchise loyalty shares converted to ordinary capital

During the current half year, 13,000 shares relating to the franchise loyalty plan did not meet vesting conditions and were relinquished by the participants. These shares were subsequently sold on market at a share price of \$4.45. As a result, these shares are now fully paid and no longer subject to the previous vesting conditions.

(iii) Shares offered as consideration for ownership interest in Cooney Investments Pty Ltd

On 21 September 2017, Helloworld Travel issued 73,395 fully paid ordinary shares at a price of \$4.36 per share to Cooney Investments Pty Ltd, amounting to \$0.3 million. The share issue forms part of the \$0.8 million purchase consideration for 20% ownership in Cooney Investments Pty Ltd. Refer note 7 for further details on the nature of the investment.

(iv) Forfeited LTIP shares converted to ordinary capital

During the current half year, 150,000 shares relating to the LTIP did not meet vesting conditions and were relinquished by the participants. These shares were subsequently sold on market at a share price of \$4.60. As a result, these shares are now fully paid and no longer subject to the previous vesting conditions.

(v) Franchise loyalty plan

On 24 November 2017, Helloworld Travel issued 30,000 shares to franchisees under the existing franchise loyalty plan. The shares were issued for nil consideration and have certain non-market conditions which must be satisfied until the vesting date of 31 July 2019.

If the franchisee leaves the Helloworld Travel network, or other non-market conditions are not met prior to the vesting date, the shares allocated to the respective franchisee will be forfeited. At the vesting date, franchisees which have satisfied the required conditions of the scheme will be issued with their allocated shares at no cost.

All franchise loyalty shares rank equally in all respects with existing shares from the date of their issue. Dividends on these shares are payable to the respective franchisee during the vesting period if declared by the Group.

Note 10. Reserves

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Foreign currency translation reserve	1,969	3,802
Hedging reserve	909	750
Share based payments reserve	3,647	2,598
	<u>6,525</u>	<u>7,150</u>

Note 11. Accumulated losses

	Consolidated	
	Half year	Full year
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Accumulated losses at the beginning of the financial period	(123,717)	(292,218)
Profit after income tax expense attributable to owners of Helloworld Travel Limited	18,045	21,510
Dividends	(9,684)	(9,409)
Dividends associated with LTIP	323	-
Transfer of predecessor accounting reserve to accumulated losses	-	156,400
Accumulated losses at the end of the financial period	<u>(115,033)</u>	<u>(123,717)</u>

Note 12. Events after the reporting period

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years except for the following items:

(a) Dividends

On 19 February 2018, the Group declared a 7.0 cents per share fully franked interim dividend. The dividend is to be paid on 9 March 2018, with a record date of 26 February 2018. The dividend will be paid out of current year profit, but is not recognised as a liability as at 31 December 2017.

(b) Acquisition of Magellan Travel Group

On 19 December 2017, Helloworld Travel announced its acquisition of Magellan Travel Group (Magellan) for a total consideration of \$32.5 million. The consideration will consist of cash and shares. Magellan has been established for nearly ten years and has a large network of members which operate both leisure and corporate travel agency businesses.

The settlement of the transaction is expected to occur by the end of February.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The consolidated financial statements and notes that are set out on pages 8 to 20 are in accordance with the Corporations Act 2001, including;
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), other mandatory professional reporting requirements and the *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that Helloworld Travel Limited and its controlled entities will be able to repay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Garry Hounsell
Chairman

19 February 2018
Melbourne



Independent auditor's review report to the members of Helloworld Travel Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Helloworld Travel Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Helloworld Travel Limited group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that 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 Australian 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 2017 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 Helloworld Travel 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*.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 Helloworld Travel Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A blue ink signature of PricewaterhouseCoopers.

PricewaterhouseCoopers

A blue ink signature of Andrew Cronin.

Andrew Cronin
Partner

Melbourne
19 February 2018