HELLOWORLD LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2016

ABN 60 091 214 998

ASX CODE: HLO

TABLE OF CONTENTS

DIRECTORS' REPORT

The Directors of Helloworld Limited ("the Company") present their report together with the Interim Financial Statements of the consolidated entity consisting of Helloworld Limited and the entities it controlled ("Helloworld" or "the Group") for the half year ended 31 December 2016.

DIRECTORS

The following persons were directors of the Company during the whole period and up to the date of this report, unless otherwise stated:

- Garry Hounsell (Chairman), appointed 4 October 2016
- Rob Marcolina, resigned 31 December 2016
- Andrew Burnes
- Cinzia Burnes
- Peter Spathis
- Mike Ferraro, appointed 1 January 2017
- Andrew Finch, appointed 1 January 2017
- Andrew Cummins, resigned 22 November 2016

PRINCIPAL ACTIVITIES

The principal activities during the year of the entities in the Group were the selling of international and domestic travel products and services and the operation of a franchised network of travel agents.

Helloworld Limited is a leading Australian and New Zealand travel distribution company comprising 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', Australia's largest network of Helloworld branded franchised travel agents, in addition to Helloworld for Business, Associate and the My Travel Group (MTG) networks.

The Group has three main operating segments within its structure, Retail Franchise Operations, Wholesale/Inbound and Travel Management. Within each of these segments the Group also has an online presence. These 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.com.au, Qantas Holidays, Viva! Holidays, MTA Travel, AOT Inbound, ATS Pacific, ETA, Insider Journeys, Air Tickets, Sunlover Holidays, GO Holidays, QBT, APX and Qantas Vacations (USA).

REVIEW OF OPERATIONS

Results

Helloworld's key financial results for the half year ended 31 December 2016 compared with the prior corresponding period for the half year ended 31 December 2015 are:

- Total transaction value (TTV) was $2,661.9 million, an increase of $55.9 million or 2.1%;
- Revenue was $171.2 million, an increase of $32.3 million or 23.2%;
- Earnings before interest, tax, depreciation and amortisation (EBITDA) was $30.1 million, an increase of $22.0 million or 270.3%;
- Profit before tax was $18.7 million, an increase of $19.7 million or 1,925.8%; and
- Profit after tax was $12.9 million, an increase of $14.6 million or 884.1%.

DIRECTORS REPORT (continued)

The increase in revenue of $32.3 million to $171.2m was mainly due to the current period inclusion of the AOT Group, subsequent to the merger on 1 February 2016. The increase in profit after tax of $14.6 million reflects the inclusion of the AOT Group and the implementation of cost synergies and savings since the merger.

Please refer to the Media Release and Investor Presentation on the ASX website for further analysis of the operating results of the Group for the half year ended 31 December 2016.

Earnings per share

Basic earnings per share for the half year ended 31 December 2016 was 11.5 cents per share (2015: loss 2.3 cents per share). Diluted earnings per share for the half year was 11.3 cents per share (2015: loss 2.3 cents per share).

The earnings per share for the prior corresponding period has been restated to reflect the 1 for 6 share consolidation completed in January 2016 arising from the AOT merger.

Dividends

On 16 September 2016, the Group paid a 2.0 cents per share fully franked final dividend for the year ended 30 June 2016, amounting to $2.2 million. This was the first dividend paid since 2013.

On 22 February 2017, the Group declared a 6.0 cents per share fully franked interim dividend for the half year ended 31 December 2016, amounting to $7.2 million. The dividend is to be paid on 20 March 2017, with a record date of 2 March 2017. The dividend is to be paid out of retained profits, but is not recognised as a liability as at 31 December 2016.

Equity issuance

On 26 October 2016, the Group issued 7.0 million fully paid ordinary shares at a price of $4.25 to institutional investors. The issue raised $28.5 million after capital raising costs. The funds were used to purchase our 50% ownership interest in Mobile Travel Holdings Pty Limited and its controlled entities (MTA) and repay long term debt.

During the current half year, the Group issued 2,600,000 shares under the new Long Term Incentive Plan with the objective to lock in our key leaders for an extended period of time, whilst at the same time, incentivising them to generate superior long term returns to our shareholders.

On 20 December 2016, the Group issued 666,000 shares in response to franchisees who had elected to participate in the Helloworld members' loyalty bonus plan with the objective of rewarding loyalty displayed by franchisees and to facilitate building a strong member network.

Liquidity and funding

At 31 December 2016, the Group had borrowings of $29.6 million (June 2016: $46.6 million, December 2015: $24.7 million) and held cash totalling $166.5 million (June 2016: $202.6 million, December 2015: $140.1 million).

During the current half year, the Group repaid $17.0 million of long term borrowings via proceeds received from the successful equity share issue and operating cash flow. Total cash decreased by $36.1 million due to the business seasonality of monies held by the Group for intending travellers or customers prior to travelling, partially offset by positive cash flow generated from the operating business performance.

DIRECTORS REPORT (continued)

MATTERS SUBSEQUENT TO THE BALANCE DATE

No matters or circumstances have arisen since 31 December 2016 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years except:

Disposal of subsidiaries

On 23 January 2017, the Group disposed of its wholly owned controlled entities, World Aviation Systems (Australia) Pty Limited and Global Aviation Services Pty Limited which formed its air representation business in the Retail Franchise Operations segment. The air representation business is not core to the broader Group nor material to the consolidated results.

Acquisition of cruise businesses

On 15 February 2017, the Group announced its acquisition of the Cruise Factory, Seven Oceans Cruising, Cruise Abroad and Worldwide Cruise Centres. The acquisition of these businesses will build on our already established cruise presence in the Wholesale/Inbound segment. The transaction is scheduled to be completed by the end of February 2017 with total consideration comprising 100,000 Helloworld Limited shares and cash consideration of $0.7m.

Dividends

On 22 February 2017, the Group declared a 6.0 cents per share fully franked interim dividend, amounting to $7.2 million. The dividend is to be paid during the 2017 financial year out of retained profits, but is not recognised as a liability as at 31 December 2016.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report and forms part of the Directors Report for the half year ended 31 December 2016.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Signed pursuant to a resolution of the Directors.

Garry Hounsell
Chairman

22 February 2017
Melbourne

Auditor's Independence Declaration

As lead auditor for the review of Helloworld Limited for the half-year ended 31 December 2016, 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 Limited and the entities it controlled during the period.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
22 February 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the half year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 $'000	Consolidated 31 Dec 2015 $'000
Revenue		**171,222**	**138,962**
Employee benefits expenses		(72,260)	(62,513)
Advertising and marketing expenses		(16,921)	(21,062)
Selling expenses		(21,155)	(17,327)
Communication and technology expenses		(10,611)	(9,538)
Occupancy and rental expenses		(6,831)	(6,654)
Operating expenses		(13,482)	(14,077)
Profit on disposal of investments		-	330
Share of profit of associates accounted for using the equity method		108	-
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**30,070**	**8,121**
Finance expense		(1,408)	(1,557)
Depreciation and amortisation expense		(9,984)	(7,587)
Profit/(loss) before income tax expense	2	**18,678**	**(1,023)**
Income tax expense		(5,748)	(626)
Profit/(loss) after income tax expense for the half year		**12,930**	**(1,649)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plan actuarial loss		-	(2,715)
Deferred tax benefit on defined benefit plan		-	814
Items that may be reclassified subsequently to profit or loss			
Change in fair value of cash flow hedges, net of income tax		1,045	(603)
Exchange differences on translation of foreign operations		308	1,751
Other comprehensive income/(loss) for the half year, net of income tax expense		**1,353**	**(753)**
Total comprehensive income/(loss) for the half year, net of income tax expense		**14,283**	**(2,402)**
Profit/(loss) for the half year is attributable to:			
Non-controlling interest		35	4
Owners of Helloworld Limited	10	12,895	(1,653)
		12,930	**(1,649)**
Total comprehensive income/(loss) for the half year is attributable to:			
Non-controlling interest		35	4
Owners of Helloworld Limited		14,248	(2,406)
		14,283	**(2,402)**
		Cents	**Cents**
Basic earnings per share	5	**11.5**	**(2.3)**
Diluted earnings per share	5	**11.3**	**(2.3)**

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 2016

	Note	Consolidated 31 Dec 2016 $'000	Consolidated 30 Jun 2016 $'000
Assets			
Current assets			
Cash and cash equivalents	6	166,483	202,621
Trade and other receivables		133,639	134,233
Inventories		189	191
Derivative financial instruments		946	-
Total current assets		**301,257**	**337,045**
Non-current assets			
Investments accounted for using the equity method	11	16,008	1,563
Investment properties		175	175
Property, plant and equipment		17,786	19,560
Intangible assets		283,618	285,856
Deferred tax asset		1,090	1,203
Other non-current assets		295	196
Total non-current assets		**318,972**	**308,553**
Total assets		**620,229**	**645,598**
Liabilities			
Current liabilities			
Trade and other payables		210,525	220,783
Borrowings	7	241	287
Provisions		14,161	13,830
Deferred revenue		43,456	82,967
Derivative financial instruments		-	1,526
Income tax payable		3,858	1,419
Total current liabilities		**272,241**	**320,812**
Non-current liabilities			
Borrowings	7	29,333	46,352
Deferred tax liability		3,611	3,576
Provisions		3,005	3,233
Other		3,635	4,007
Total non-current liabilities		**39,584**	**57,168**
Total liabilities		**311,825**	**377,980**
Net assets		**308,404**	**267,618**
Equity			
Issued capital	8	394,738	366,235
Reserves	9	164,601	163,051
Accumulated losses	10	(252,300)	(262,998)
Equity attributable to the owners of Helloworld Limited		**307,039**	**266,288**
Non-controlling interest		1,365	1,330
Total equity		**308,404**	**267,618**

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 2016

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total Equity $'000
Balance at 1 July 2015	**278,755**	**161,636**	**(263,014)**	**99**	**177,476**
Profit/(loss) after income tax expense for the half year	-	-	(1,653)	4	(1,649)
Other comprehensive income/(loss) for the half year, net of tax	-	1,148	(1,901)	-	(753)
Total comprehensive income/(loss) for the half year	**-**	**1,148**	**(3,554)**	**4**	**(2,402)**
Transactions with owners in their capacity as owners:					
Long term incentive plan expensed	-	26	-	-	26
Balance at 31 December 2015	**278,755**	**162,810**	**(266,568)**	**103**	**175,100**

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total Equity $'000
Balance at 1 July 2016	**366,235**	**163,051**	**(262,998)**	**1,330**	**267,618**
Profit after income tax expense for the half year	-	-	12,895	35	12,930
Other comprehensive income for the half year, net of tax	-	1,353	-	-	1,353
Total comprehensive income/(loss) for the half year	**-**	**1,353**	**12,895**	**35**	**14,283**
Transactions with owners in their capacity as owners:					
Long term incentive plan expensed	-	197	-	-	197
Issued capital, net of transaction costs	28,503	-	-	-	28,503
Dividends paid	-	-	(2,197)	-	(2,197)
Balance at 31 December 2016	**394,738**	**164,601**	**(252,300)**	**1,365**	**308,404**

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 2016

	Note	Consolidated 31 Dec 2016 $'000	Consolidated 31 Dec 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,414,965	1,240,677
Payments to suppliers and employees (inclusive of GST)		(1,436,327)	(1,270,625)
Interest received		1,405	1,924
Interest paid		(1,175)	(1,057)
Income taxes paid		(3,499)	(1,556)
Net cash used in operating activities		**(24,631)**	**(30,637)**
Cash flows from investing activities			
Payments for equity accounted investments		(14,349)	-
Payments for property, plant and equipment		(1,945)	(2,559)
Payments for intangibles		(4,296)	(6,755)
Proceeds from disposals of investments, net of client cash disposed		-	690
Payments for acquisition of controlled entities		(731)	-
Proceeds from disposal of property, plant and equipment		178	8
Net cash used in investing activities		**(21,143)**	**(8,616)**
Cash flows from financing activities			
Proceeds from issue of shares	8	28,503	-
Proceeds from borrowings		-	1,579
Repayment of borrowings	7	(17,046)	(886)
Dividends paid to shareholders	4	(2,197)	-
Net cash from financing activities		**9,260**	**693**
Net decrease in cash and cash equivalents		**(36,514)**	**(38,560)**
Cash and cash equivalents at the beginning of the financial half year		202,621	176,141
Effects of exchange rate changes on cash and cash equivalents		376	2,547
Cash and cash equivalents at the end of the financial half year		**166,483**	**140,128**

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

Helloworld Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the ASX. The Consolidated Interim Financial Report (Financial Report) of the Group as at and for the six months ended 31 December 2016 comprises Helloworld Limited and its subsidiaries.

(a) Statement of compliance

This general purpose financial report for the half year reporting period ended 31 December 2016 is presented in Australian dollars and has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001. The interim financial statements were authorised for issue, in accordance with a resolution of Directors, on 22 February 2017. The Directors have the power to amend and reissue the financial statements.

The financial report does not include all of the information required for annual financial reports. Accordingly, this report should be read in conjunction with the consolidated financial report of Helloworld for the year ended 30 June 2016 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.

(b) Functional and presentational currency

The Report is presented in Australian dollars which is the Group's functional and presentational currency. Items included in the financial statements 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").

(c) Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(d) Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

(e) Use of critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the assets, liabilities, income and expenses of the Group are outlined below.

(i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units (CGUs) to which the goodwill and intangibles with indefinite useful lives are allocated. The Group completes its detailed annual review at the end of each respective annual reporting period.

Based on the Group internal review undertaken, there were no indicators or triggers of impairment identified in any CGUs during the six months ended 31 December 2016. As a result, no detailed estimation of recoverable amount was required for the half year ended 31 December 2016 in accordance with applicable accounting standards.

Note 1. Basis for preparation of half year report (continued)

(ii) Commission revenue

The Group estimates override commission revenue generated by airlines and leisure partners. The commission revenue accrual process is inherently judgemental and is impacted significantly by factors which are not completely under the control of the Group. These factors include:

- A significant portion of commission contract periods do not correspond to the Group's financial year end. Judgements and estimation techniques are required to determine anticipated future flow revenues over the remaining contract year and the associated commission rates applicable to these forecast levels;

- The differing commencement dates of the commission contracts mean that commissions may have to be estimated for contracts for which the applicable commission rates have not been finalised and agreed between the parties; and

- Periodic renegotiation of terms and contractual agreements with the suppliers of travel products may result in additional volume/incentives, rebates or other bonuses being received which relate to past performance and are not specified in existing contracts.

(f) New standards and interpretations

The Group has not changed or amended any accounting policies as a result of new or revised accounting standards during the half year reporting period commencing 1 July 2016.

The following standards and interpretations have been published but are not yet effective, and may have an impact on future reporting periods:

(i) AASB 9 Financial Instruments

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, partially replacing AASB 139 Financial instruments: Recognition and measurement. This standard is available for early adoption however will not become mandatory for the Group's financial statements until the year ended 30 June 2019.

The Group has not yet decided when to adopt AASB 9 and is currently assessing the impact of the standard.

(ii) AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 Revenue, which covers contracts for goods and services and AASB 111 Construction Contracts, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control in AASB 15 replaces the existing notion of risks and rewards.

The standard is applicable to reporting periods ending 30 June 2019. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application without restating the comparative period. The Group will only need to apply the new rules to existing contracts that are not completed as of the date of initial application.

The Group has not yet decided when to adopt AASB 15 and is currently assessing the impact of the standard.

Note 1. Basis for preparation of half year report (continued)

(iii) AASB 16 Leases

The AASB has issued a new standard for the recognition, measurement and classification of leases. This will replace AASB 117 Leases. The new standard eliminates the classification of leases as either operating leases or finance leases for a lessee. Operating leases will be capitalised on the Statement of Financial Position by recognising the present value of the lease, similar to a finance lease under the existing standard. The impact on the Statement of Comprehensive Income is that all operating leases will no longer be operational expenditure, rather it will comprise of depreciation on the right of use and interest on its lease liability.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early application is permitted for entities that apply AASB 15 Revenue from Contracts with Customers at or before the date of initial application of AASB 16.

The Group has not yet decided when to adopt AASB 16 and is currently assessing the impact of the standard.

(iv) *Other standards and interpretations*

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in future reporting periods.

Note 2. Expenses

	Consolidated	
	31 Dec 2016	**31 Dec 2015**
	$'000	**$'000**
Profit/(loss) before income tax expense includes the following specific expenses:		
Depreciation	(3,224)	(3,073)
Amortisation	(6,760)	(4,514)
Net foreign exchange gains	1,116	806
Defined contribution superannuation expense	(4,560)	(3,413)
Defined benefit expense	-	(336)
Share based payments	(197)	(26)
Employee benefits expense excluding superannuation and share based payments	(67,503)	(58,764)
AOT merger costs	-	(2,089)
Redundancy costs	(200)	(747)
Business transformation costs	-	(448)
Recovery relating to GST legal dispute	-	1,775

Note 3. Operating segments

a) Description of segments

The Group has identified the following three operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board, the Chief Operating Decision Makers (CODM), in assessing performance and making strategic decisions. There are no other operating segments other than the three below:

- Retail Franchise Operations
- Wholesale/Inbound
- Travel Management

The operations of Retail Franchise Operations primarily comprise acting as a franchisor of retail travel agency networks including Helloworld Branded, Helloworld Associate, Helloworld for Business and the My Travel Group. The Retail Franchise Operations segment includes the online portal helloworld.com.au.

The primary purpose of Wholesale/Inbound is to procure air, cruise and land product for packaging and sale through retail travel agency networks and other third party retailers. Within the Wholesale/Inbound division, the inbound division offers travel services in Australia, New Zealand, Fiji and the Cook Islands to clients in 73 countries worldwide.

Travel Management provides travel management services to corporate and government customers including the booking of flights and accommodation.

Shared Service costs are fully allocated to operating segments.

There are no changes to the operating segments from 30 June 2016. The Board assess the performance of the operating segments based on a measure of EBITDA (earnings before interest expense, tax, depreciation and amortisation). Interest income on client funds is included within segment revenue and EBITDA according to Group accounting policy.

b) Segment information provided to the Board

Analysis by business segment	Retail Franchise Operations $'000	Wholesale/ Inbound $'000	Travel Management $'000	Shared Services $'000	Total $'000
Period ended 31 December 2016					
Segment revenue	74,622	69,032	25,902	1,666	171,222
Segment expenses	(54,626)	(48,686)	(20,496)	(17,344)	(141,152)
EBITDA before shared services	**19,996**	**20,346**	**5,406**	**(15,678)**	**30,070**
Shared services net costs	(5,740)	(7,927)	(2,011)	15,678	-
EBITDA	**14,256**	**12,419**	**3,395**	**-**	**30,070**
Depreciation/amortisation/interest	(3,554)	(6,278)	(1,560)	-	(11,392)
Net profit/(loss) before tax	**10,702**	**6,141**	**1,835**	**-**	**18,678**
Period ended 31 December 2015					
Segment revenue	78,863	35,051	23,432	1,616	138,962
Segment expenses	(60,690)	(35,026)	(19,974)	(15,151)	(130,841)
EBITDA before shared services	**18,173**	**25**	**3,458**	**(13,535)**	**8,121**
Shared services net costs	(7,746)	(3,326)	(2,463)	13,535	-
EBITDA	**10,427**	**(3,301)**	**995**	**-**	**8,121**
Depreciation/amortisation/interest	(4,611)	(3,024)	(1,509)	-	(9,144)
Net profit/(loss) before tax	**5,816**	**(6,325)**	**(514)**	**-**	**(1,023)**

Note 3. Operating segments (continued)

A reconciliation of EBITDA to profit/(loss) before income tax expense is provided as follows:

	Consolidated	
	31 Dec 2016 $'000	**31 Dec 2015 $'000**
EBITDA	30,070	8,121
Depreciation	(3,224)	(3,073)
Amortisation	(6,760)	(4,514)
Finance costs	(1,408)	(1,557)
Profit/(loss) before tax	**18,678**	**(1,023)**

(c) Changes in accounting policy and restatement of prior period

During the half year ended 31 December 2016, we have reported segment EBITDA in our segment analysis. Comparative information has been restated in the segment note to align with the current half year results as reported to the Board.

Note 4. Equity - Dividends paid and proposed

	Consolidated	
	31 Dec 2016 $'000	**31 Dec 2015 $'000**
Dividends paid and proposed during the financial half year were as follows:		
Final prior year dividend, fully franked, 2.0 cents per share, paid 16 September 2016	2,197	-
Dividends not recognised at the end of the half year:		
Declared interim dividend, fully franked, 6.0 cents per share, to be paid on 20 March 2017	7,206	-

Note 5. Earnings per share

(a) Basic and diluted earnings/(loss) per share

	Consolidated	
	31 Dec 2016 Cents	**31 Dec 2015 Cents**
Basic earnings per share	11.5	(2.3)
Diluted earnings per share	11.3	(2.3)

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

	Consolidated	
	31 Dec 2016 $'000	**31 Dec 2015 $'000**
Profit/(loss) after income tax	12,930	(1,649)
Non-controlling interest	(35)	(4)
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company	12,895	(1,653)

Note 5. Earnings per share (continued)

(c) Weighted average number of shares used in denominator

	Consolidated	
	31 Dec 2016 Number	**31 Dec 2015 Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	112,425,375	73,388,366
- Adjustment for shares issued under long term incentive plan	1,381,793	-
- Adjustment for shares issued under franchise loyalty plan	39,815	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	113,846,983	73,388,366

The calculation of basic earnings per share for the half year ended 31 December 2016 was based on the profit attributable to ordinary shareholders of $12.9 million (2015: loss of $1.7 million) and weighted average number of shares of 112,425,375 (2015: 73,388,366).

The weighted average number of ordinary shares for the prior corresponding period has been restated to reflect the 1 for 6 share consolidation completed in January 2016 arising from the AOT merger.

Shares issued under the new long term incentive plan and franchise loyalty plan are excluded from basic earnings per share due to the terms and conditions attached to these shares. These shares are included in dilutive earnings per share. Refer note 8 for further details on the nature of the shares issued under these plans.

Note 6. Cash and cash equivalents

		Consolidated	
	31 Dec 2016 $'000	**30 Jun 2016 $'000**	**31 Dec 2015 $'000**
Cash at bank and on hand	33,950	26,201	20,745
Client cash	132,533	176,420	119,383
	166,483	202,621	140,128

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. Borrowings

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Current borrowings		
Unsecured financing	241	287
Non-current borrowings		
Secured bank loan	30,310	47,542
Less: deferred borrowings costs	(977)	(1,190)
	29,333	46,352

During the current half year, the Group repaid approximately $17.0 million of long term debt after the successful new share issue outlined in note 8.

Helloworld has on issue at 31 December 2016 bank guarantees and letters of credit totalling $10.7 million (30 June 2016: $12.0 million).

Note 8. Issued capital

(a) Shares on issue

	Consolidated			
	31 Dec 2016 Shares	30 Jun 2016 Shares	31 Dec 2016 $'000	30 Jun 2016 $'000
Issued capital	120,104,418	109,838,418	394,738	366,235

Holders of ordinary shares in Helloworld are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Helloworld shareholders' meetings. In the event of the winding up of Helloworld, ordinary shareholders rank after creditors and are fully entitled to any proceeds on liquidation. There is only one class of share on issue in Helloworld.

(b) Movements in shares on issue

		Consolidated	
Details	**Date**	**Shares**	**$'000**
Opening balance	**1 July 2016**	**109,838,418**	**366,235**
Share issue (i)	26 October 2016	7,000,000	28,503
Long term incentive plan (ii)	23 September 2016	2,450,000	-
Long term incentive plan (ii)	14 October 2016	150,000	-
Franchise loyalty plan (iii)	20 December 2016	666,000	-
Closing Balance	**31 December 2016**	**120,104,418**	**394,738**
Closing balance split as follows:			
Issued capital – fully paid		116,838,418	394,738
Issued capital – issued, but not vested		3,266,000	-
Issued capital – total		**120,104,418**	**394,738**

Note 8. Issued Capital (continued)

(i) Share issue

On 26 October 2016, Helloworld issued 7.0 million fully paid ordinary shares at a price of $4.25 per share to institutional investors, which amounted to gross proceeds of $29.8m. Helloworld incurred capital raising costs and our resulting net proceeds received was $28.5m. The purpose of the capital raising was to fund our 50% purchase of MTA and repay long term debt.

(ii) Long term incentive plan (LTIP)

During the current half year, a new LTIP plan was established and targeted to a group of executives and senior leaders within the business. The overall objectives are to lock in our key leaders for an extended period of time, whilst at the same time, incentivising them to generate superior long term returns to our shareholders.

During the current half year, the Group issued 2,600,000 shares under the new plan at a price of $3.00 per share. A loan is provided to each participant equal to the number of shares issued at $3.00. The loan is to be repaid to Helloworld on the sale of shares after vesting conditions are met.

The shares issued under the LTIP have a vesting date of 1 July 2019, subject to both market and non-market conditions being met. If the employee leaves Helloworld, or the conditions are not met prior to the vesting date, the shares will be forfeited and cancelled. Dividends on the shares are payable as a reduction of the loan value during the vesting period if declared by the Group.

The fair value of these shares above the issue price was $0.77, which will be amortised over its vesting period as a share based payment expense.

(iii) Franchise loyalty plan

On 20 December 2016, the Group issued 666,000 shares in response to franchisees who had elected to participate in the Helloworld members' loyalty bonus plan.

The shares were issued for nil consideration. The shares are attached with certain non-market conditions until its vesting date of 31 October 2018. The fair value of the shares is amortised over its vesting period as a share based payments expense.

If the franchisee leaves the Helloworld network, or other non-market conditions are not met prior to the vesting date, the shares allocated to the respective franchisee will be forfeited and cancelled. Dividends on these shares are payable to the respective franchisee during the vesting period as per all other ordinary shareholders if declared by the Group.

Note 9. Reserves

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Predecessor accounting reserve	156,400	156,400
Foreign currency translation reserve	5,122	4,814
Hedging reserve	1,496	451
Share-based payments reserve	1,583	1,386
	164,601	**163,051**

Note 10. Accumulated losses

	Consolidated	
	Half year 31 Dec 2016 $'000	Full year 30 Jun 2016 $'000
Accumulated losses at the beginning of the period	(262,998)	(263,014)
Profit after income tax expense	12,895	1,699
Actuarial loss on defined benefit plans, net of tax	-	(1,683)
Dividends paid	(2,197)	-
Accumulated losses at the end of the financial period	**(252,300)**	**(262,998)**

Note 11. Business acquisitions and disposals

Joint venture with Mobile Travel Agents

During the half year ended 31 December 2016, the Group acquired 50% of Mobile Travel Holdings Pty Ltd and its subsidiaries (MTA) for cash consideration of $14.0 million. Acquisition related costs of $0.3 million were incurred and are included in the carrying value of the investment.

MTA provides home based travel consulting services by franchise mobile travel consultants throughout Australia. The investment provides Helloworld with a significant footprint in a sector that is experiencing accelerated growth both in Australia and globally. The Group expects the additional scale and operating leverage to bring increased economies of scale.

Merger with AOT Group Limited

On 1 February 2016, Helloworld acquired 100% of the share capital of the AOT Group and its controlled entities (AOT). The assets and liabilities of AOT acquired for accounting purposes are recorded at fair value, and goodwill was provisionally determined to be $105.6 million as at 30 June 2016.

As at 31 December 2016, the goodwill was recorded at $105.6 million with no change since 30 June 2016. The goodwill remains provisionally determined at 31 December 2016 and subsequent adjustments may potentially arise including the impact of the Australian tax consolidation finalisation.

Note 12. Events after the reporting period

No matters or circumstances have arisen since 31 December 2016 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years except for the following items:

Disposal of subsidiaries

On 23 January 2017, the Group disposed of its wholly owned controlled entities, World Aviation Systems (Australia) Pty Limited and Global Aviation Services Pty Limited which formed its air representation business in the Retail Franchise Operations segment. The air representation business is not core to the broader Group nor material to the consolidated results.

Acquisition of cruise businesses

On 15 February 2017, the Group announced its acquisition of the Cruise Factory, Seven Oceans Cruising, Cruise Abroad and Worldwide Cruise Centres. The acquisition of these businesses will build on our already established cruise presence in the Wholesale/Inbound segment. The transaction is scheduled to be completed by the end of February 2017 with total consideration comprising 100,000 Helloworld Limited shares and cash consideration of $0.7m.

Dividends

On 22 February 2017, the Group declared a 6.0 cents per share fully franked interim dividend amounting to $7.2 million. The dividend is to be paid on 20 March 2017, with a record date of 2 March 2017. The dividend is to be paid out of retained profits, but is not recognised as a liability as at 31 December 2016.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) The consolidated financial statements and notes that are set out on pages 5 to 18 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 2016 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 Limited and its controlled entities will be able to repay its debts as and when they become due and payable.

Signed pursuant to a resolution of the Directors.

Garry Hounsell
Chairman

22 February 2017
Melbourne

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Helloworld Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Helloworld 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 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 Helloworld 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*.

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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 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 2016 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*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
22 February 2017