



HELLOWORLD LIMITED AND CONTROLLED ENTITIES

**APPENDIX 4D AND
CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2014**

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HELLOWORLD LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2014 \$'000	December 2013 \$'000	Change \$'000	Change %
Total transaction value (TTV) ¹	2,307,519	2,524,865	(217,346)	-8.6%
Revenue	139,455	151,519	(12,064)	-8.0%
Adjusted EBITDAI ²	10,614	19,009	(8,395)	-44.2%
Loss before tax	(201)	(3,877)	3,676	94.8%
Loss after tax attributable to members	(736)	(4,684)	3,948	84.3%
	December 2014 Cents	December 2013 Cents	Change Cents	Change %
Basic loss per share	(0.17)	(1.06)	0.89	84.0%
Diluted loss per share	(0.17)	(1.06)	0.89	84.0%
<p>¹ Total Transaction Value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the Helloworld Group ("Group"), as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. Total TTV does not represent Group cash inflows as some transactions are settled directly between the customer and the supplier. This information has been extracted from Note 3 of the accompanying Interim Financial Report.</p> <p>² Adjusted EBITDAI is earnings before interest expense, tax, share-based payments, defined benefit expense, depreciation, amortisation and impairment adjusted for significant and/or unusual items of revenue or expense. Adjusted EBITDAI is a financial measure which is not prescribed by Australian Accounting Standards but is the measure used by the Board to assess the financial performance of the Group and operating segments. A reconciliation of Adjusted EBITDAI to Loss before tax is contained in Note 3 of the accompanying Interim Financial Report.</p> <p>Reconciliation of Adjusted EBITDAI to loss before tax</p>				
	December 2014 \$'000	December 2013 \$'000	Change \$'000	Change %
Adjusted EBITDAI	10,614	19,009	(8,395)	-44.2%
Profit/(loss) on disposal of investments	340	(5,444)	5,784	106.2%
Business transformation costs	(973)	(9,168)	8,195	89.4%
Share-based payments and defined benefit expense	(892)	(886)	(6)	-0.7%
Costs relating to GST matter	(464)	(229)	(235)	-102.6%
CEO resignation costs	(233)	-	(233)	-
Depreciation and amortisation expense	(6,917)	(5,338)	(1,579)	-29.6%
Finance costs	(1,676)	(1,821)	145	8.0%
Loss before tax	(201)	(3,877)	3,676	94.8%

Explanation of results

This information should be read in conjunction with the Helloworld Limited 2014 Annual Report and any public announcements made by the Company since that time. The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

Dividends

No dividends have been paid in the six months to 31 December 2014. In accordance with the Company's dividend policy, the Board has determined that the Company will not pay an interim dividend in relation to the half year ended 31 December 2014.

OTHER INFORMATION

Net tangible assets:

	December 2014 cents	June 2014 Cents
Net Tangible Assets per ordinary share	3.90	3.75
Net Tangible Assets is calculated as Net Assets less total Intangible Assets.		
Net Tangible Assets per ordinary share is based on Helloworld Limited's issued capital as the legal parent entity and issuer of this financial information as at the balance sheet date.		

DIRECTORS' REPORT

The Directors of Helloworld Limited (HLO or Company) present their report on the consolidated entity consisting of Helloworld Limited and the entities it controlled (Group or Helloworld Group) at the end of, or during the half year ended 31 December 2014.

DIRECTORS

The Directors of the Company in office at any time during or since the end of the half year ended 31 December 2014 are as follows:

Name	Period of Directorship
B Johnson (<i>Chairman</i>)	<i>Appointed 27 February 2009 (appointed Chairman 1 October 2014)</i>
S Bennett	<i>Appointed 28 April 2011</i>
A Cummins	<i>Appointed 30 September 2010</i>
E Gaines	<i>Appointed 30 June 2011</i>
A John	<i>Appointed 26 May 2011</i>
J Millar	<i>Appointed 30 September 2010</i>
J McKellar	<i>Appointed 17 December 2014</i>
T Dery (<i>former Chairman</i>)	<i>Appointed 17 September 2008; resigned 30 September 2014</i>

REVIEW OF OPERATIONS

Results

Total revenue for the half year ended 31 December 2014 was \$139.5 million (2013: \$151.5 million).

The Group reported a loss after taxation of \$0.7 million for the half year ended 31 December 2014 (2013: loss after taxation \$4.68 million).

Earnings per share

Basic loss per share for the six months ended 31 December 2014 was loss 0.17 cents per share (2013: loss 1.06 cents per share). Diluted loss per share for the six months was 0.17 cents per share (2013: 1.06 cents loss per share).

Please refer to the Media Release and Investor Presentation on the ASX website for further analysis of the operating results of the Helloworld Group for the half year ended 31 December 2014.

DIRECTORS' REPORT (continued)

Statutory result

The statutory result for the Group for the six months ended 31 December is detailed in the table below:

Summary Group results	31 Dec 2014 \$'000	31 Dec 2013 \$'000	Change %
TTV ¹	2,307,519	2,524,865	-8.6%
Revenue	139,455	151,519	-8.0%
Loss before tax	(201)	(3,877)	94.8%
Loss after tax attributable to members	(736)	(4,684)	84.3%

¹ Total Transaction Value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the Helloworld Group ("Group"), as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. Total TTV does not represent Group cash inflows as some transactions are settled directly between the customer and the supplier. This information has been extracted from Note 3 of the accompanying Interim Financial Report.

Shareholder Returns

No dividends have been paid in the six months to 31 December 2014 (December 2013: \$2.2m).

In accordance with the Company's dividend policy, the Company has not provided for any dividends subsequent to the half year ended 31 December 2014.

Liquidity and funding

At 31 December 2014 the Company had debt of \$26.4 million (December 2013: \$26.5 million) and held cash totalling \$138.6 million (December 2013: \$172.4 million).

DIRECTORS' REPORT (continued)

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2014.

ROUNDING

The amounts contained in this Directors' Report and in the Financial Report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under Australian Securities and Investments Commission (ASIC) Class Order 98/100. The Company is an entity to which the Class Order applies.

Signed pursuant to a Resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Brett Johnson', with a long horizontal flourish extending to the right.

Brett Johnson
Chairman
Helloworld Limited

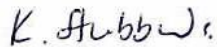
Sydney, 25 February 2015

Auditor's Independence Declaration

As lead auditor for the review of Helloworld Limited for the half year ended 31 December 2014, 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.

A handwritten signature in black ink that reads 'K. Stubbins'.

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
25 February 2015

CONSOLIDATED INCOME STATEMENT
for the half year ended 31 December 2014

	Note	December 2014 \$'000	December 2013 \$'000
Revenue		139,455	151,519
Employee benefits expense		(60,737)	(68,751)
Advertising, selling and marketing expenses		(41,471)	(37,147)
Communication and technology expenses		(9,484)	(9,187)
Occupancy and rental expense		(6,494)	(6,991)
Operating expenses		(13,289)	(20,795)
Depreciation and amortisation		(6,917)	(5,338)
Profit/(loss) on disposal of investments	10	340	(5,444)
Share of net profits of associates accounted for using the equity method		72	78
Operating profit/(loss)		1,475	(2,056)
Finance expense		(1,676)	(1,821)
Loss before income tax expense	2	(201)	(3,877)
Income tax expense	4	(554)	(738)
Loss after income tax expense		(755)	(4,615)
Less loss/(profit) attributable to non-controlling interests		19	(69)
Loss attributable to owners of Helloworld Limited		(736)	(4,684)
Earnings per share (EPS) attributable to owners of Helloworld Limited:			
Basic loss per share (cents)	9	(0.17)	(1.06)
Diluted loss per share (cents)	9	(0.17)	(1.06)

The Consolidated Income Statement should be read in conjunction with the accompanying notes set out on pages 12 to 26.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the half year ended 31 December 2014

	December 2014 \$'000	December 2013 \$'000
Loss after income tax for the half year	(755)	(4,615)
Other comprehensive income/(loss):		
<i>Items that may be reclassified to profit or loss</i>		
Change in fair value of cash flow hedges net of income tax	1,532	(902)
Exchange differences on translation of foreign operations	1,660	1,657
Exchange differences on entities disposed of taken to profit	-	725
<i>Items that will not be reclassified to profit or loss</i>		
Deferred tax expense/(credit) on defined benefit plan	(187)	(57)
Other comprehensive income for the half year, net of income tax	3,005	1,423
Total comprehensive income/(loss) for the half year net of income tax	2,250	(3,192)
 Total comprehensive income/(loss) for the half year is attributable to:		
Owners of Helloworld Limited	2,269	(3,261)
Non-controlling interests	(19)	69
	2,250	(3,192)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes set out on pages 12 to 26.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	Note	December 2014 \$'000	June 2014 \$'000
Current assets			
Cash and cash equivalents	5	138,627	184,320
Trade and other receivables		94,560	105,579
Derivative financial instruments		1,952	-
Income tax receivable		1,031	-
Total current assets		236,170	289,899
Non-current assets			
Investments accounted for using the equity method		991	942
Property, plant and equipment		18,555	20,506
Investment properties		175	175
Intangible assets	12	362,511	360,481
Deferred tax asset		6,594	7,205
Defined benefit asset		2,910	2,910
Receivables and other non-current assets		1,044	1,121
Total non-current assets		392,780	393,340
Total assets		628,950	683,239
Current liabilities			
Trade and other payables		161,524	197,382
Borrowings	6	801	892
Provisions		12,895	12,752
Deferred revenue		46,358	66,019
Derivative financial instruments		-	2,710
Income tax payable		-	19
Total current liabilities		221,578	279,774
Non-current liabilities			
Borrowings	6	23,740	23,345
Provisions		1,320	1,370
Other non-current liabilities		2,621	1,762
Total non-current liabilities		27,681	26,477
Total liabilities		249,259	306,251
Net assets		379,691	376,988
Equity			
Contributed equity		278,756	278,822
Other reserves	8(c)	163,838	160,164
Accumulated losses		(62,993)	(62,070)
Capital and reserves attributable to equity holders of Helloworld Limited		379,601	376,916
Non-controlling interests		90	72
Total equity		379,691	376,988

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes set out on pages 12 to 26.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2014

Consolidated \$'000	Contributed Equity	Other Reserves	(Accumulated losses)/Retained Earnings	Total	Non- Controlling Interests	Total Equity
Balance at 1 July 2014	278,822	160,164	(62,070)	376,916	72	376,988
Loss after income tax	-	-	(736)	(736)	(19)	(755)
Other Comprehensive income	-	3,192	(187)	3,005	-	3,005
Total comprehensive income for the period	-	3,192	(923)	2,269	(19)	2,250
Transactions with owners in their capacity as owners:						
Long term incentive plan:						
Shares purchased on market	-	(45)	-	(45)	-	(45)
Expensed during the period	-	527	-	527	-	527
Share buy-back program	(66)	-	-	(66)	-	(66)
Transactions with non-controlling interests:						
Acquisitions	-	-	-	-	37	37
Balance as at 31 December 2014	278,756	163,838	(62,993)	379,601	90	379,691
Balance at 1 July 2013	278,822	159,899	1,894	440,615	1,268	441,883
Loss after income tax	-	-	(4,684)	(4,684)	69	(4,615)
Other Comprehensive income	-	1,480	(57)	1,423	-	1,423
Total comprehensive income for the period	-	1,480	(4,741)	(3,261)	69	(3,192)
Transactions with owners in their capacity as owners:						
Dividends paid ⁽ⁱ⁾	-	-	(2,203)	(2,203)	-	(2,203)
Long term incentive plan:						
Expensed during the period	-	842	-	842	-	842
Transactions with non-controlling interests:						
Acquisitions	-	-	-	-	8	8
Dividends paid	-	-	-	-	(324)	(324)
Balance as at 31 December 2013	278,822	162,221	(5,050)	435,993	1,021	437,014

(i) Dividends were paid from the retained earnings of the parent company, Helloworld Limited.

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes set out on pages 12 to 26.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half year ended 31 December 2014

	December 2014 \$'000	December 2013 \$'000
Cash flows from operating activities		
Receipts from course of operations (inclusive of GST)	1,264,296	1,392,863
Payments to suppliers and employees (inclusive of GST)	(1,306,568)	(1,441,649)
Interest received	2,350	2,753
Interest paid	(1,269)	(1,434)
Income taxes paid	(1,888)	(6,175)
Net cash outflow from operating activities	(43,079)	(53,642)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,742)	(767)
Payments for intangibles	(4,973)	(4,020)
Payments for investments in controlled entities	-	(1,786)
Proceeds from disposal of investments, net of client cash disposed	2,119	(1,783)
Proceeds from disposal of property, plant and equipment	45	142
Proceeds from disposal of intangibles	18	88
Dividends paid to minority shareholder	-	(324)
Contributions from minority shareholder	36	8
Dividends received from associates	-	40
Net cash outflow from investing activities	(4,497)	(8,402)
Cash flows from financing activities		
Proceeds from borrowings	1,008	-
Repayment of borrowings	(1,098)	(734)
Borrowing costs paid and capitalised	(68)	-
Purchase of shares on market	(111)	-
Dividends paid to company shareholders	-	(2,203)
Net cash outflow from financing activities	(269)	(2,937)
Net decrease in cash and cash equivalents held	(47,845)	(64,981)
Cash and cash equivalents at the beginning of the half year	184,320	234,934
Effects of exchange rate changes on cash and cash equivalents	2,152	2,410
Cash and cash equivalents at the end of the half year	138,627	172,363

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes set out on pages 12 to 26.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 1. Basis of preparation of half year report

Helloworld Limited ("HLO" or "the Company") is a company limited by shares incorporated and domiciled in Australia whose shares are publically traded on the ASX. The Consolidated Interim Financial Report (Financial Report) of the Group as at and for the six months ended 31 December 2014 comprises Helloworld Limited and its subsidiaries (together referred to as "HLO", the "Group" or the "Consolidated Entity").

This general purpose Financial Report for the half year reporting period ended 31 December 2014 is presented in Australian dollars and has been prepared in accordance with *AASB 134: Interim Financial Reporting* and the Corporations Act 2001. 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 Limited for the year ended 30 June 2014 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*.

Helloworld Limited is of the kind referred to in Australian Securities Investment Commission (ASIC) Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in this interim Financial Report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

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

This Financial Report was approved by the Board of Directors on 25 February 2015.

(a) 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 infinite 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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 1. Basis of preparation of half year report (continued)**(b) Use of critical accounting estimates and judgements (continued)****(i) Impairment of goodwill and intangibles with infinite useful lives (continued)**

The key assumptions used in the assessment of impairment at 31 December 2014 are outlined in Note 12.

(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.

The accounting policy for commission revenue, incentives and rebates is set out in the 30 June 2014 Helloworld Limited consolidated financial report.

(iii) Defined pension benefits

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the pension obligations. A full valuation is performed at least annually and the key assumptions along with the estimated impact of changes in the key assumptions were disclosed in the 30 June 2014 Helloworld Limited consolidated financial report.

(c) New standards and interpretations

There are a number of new standards that are applicable for the first time in the current period. These standards have not affected the Group's accounting policies or had a material impact on any of the amounts recognised or disclosed in the Consolidated Interim Financial Report.

There are no new standards and interpretations that are not yet effective and are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 2. Loss before related income tax expense

Loss before related income tax expense includes the following items, as well as items which are considered unusual because of their size, nature or incidence:

	December 2014 \$'000	December 2013 \$'000
Depreciation	(2,291)	(2,636)
Amortisation	(4,626)	(2,702)
Profit/(loss) on disposal of investments	340	(5,444)
Trade receivables (impairment)/reversal	(96)	109
Net foreign exchange gains/(losses)	1,639	(180)
Defined contribution superannuation expense	(3,204)	(3,905)
Defined benefit expense	(745)	(364)
Other employee benefit expenses	(56,555)	(64,482)
CEO resignation costs	(233)	-
Business transformation costs	(966)	(9,118)
Costs relating to GST matter	(464)	(229)
<i>Finance income and expense</i>		
Finance income recognised in revenue	2,350	2,753
Finance expenses	(1,676)	(1,821)
Total finance income and expense	674	932

Note 3. Segment reporting

a) Description of segments

The Group has identified the following three operating segments as reportable segments. Operating segments are identified based on the internal reports that are reviewed and used by the Board in assessing performance and making strategic decisions. There are no other operating segments other than the three below:

- Retail
- Wholesale
- Travel Management

The operations of Retail primarily comprise acting as a franchisor of retail travel agency networks including *helloworld*, *helloworld* American Express, Harvey World Travel, Travelscene, Jetset Travel, Travelworld and United Travel. Other businesses in the Retail segment include Air Tickets and *helloworld.com.au*. The primary purpose of Wholesale is to procure air, sea and land product for packaging and sale through retail travel agency networks. Travel Management provides travel management services to corporate and government customers including the booking of flights and accommodation. Corporate charges are only allocated to operating segments to the extent that they are considered part of the core operations of any segments.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 3. Segment reporting (continued)

The Board assess the performance of the operating segments based on a measure of Adjusted EBITDAI (earnings before interest expense, tax, depreciation, amortisation, impairment, share-based payments and defined benefit expense). This measurement basis excludes the effects of significant unusual income and expenditure from the operating segments such as fair value gains or losses on investments, restructuring and business transformation costs, legal fees, merger or acquisition-related transaction costs and impairments when these items are outside the ordinary course of business or are unusual due to their size, nature or incidence. Furthermore, the measure excludes the effects of any equity-settled share-based payments and defined benefit expense. Interest income on client funds is included within segment revenue and Adjusted EBITDAI according to Group accounting policy.

TTV

Total Transaction Value (TTV) does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the Group's various operations, as agents for various airlines and other service providers, plus revenue from other sources. The Group's revenue is, therefore, derived from TTV. Total TTV does not represent the Group's cash inflows as some transactions are settled directly between the customer and the supplier.

(b) Segment information provided to the Board

Analysis by business segment	Retail	Wholesale	Travel Management	Corporate / Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
Period ended 31 December 2014					
TTV	1,724,176	300,942	282,401	-	2,307,519
Total segment revenue	80,391	38,277	18,949	1,838	139,455
Operating expenses	(64,079)	(34,449)	(17,151)	(13,162)	(128,841)
Adjusted EBITDAI	16,312	3,828	1,798	(11,324)	10,614
Period ended 31 December 2013					
TTV	1,861,760	380,126	282,979	-	2,524,865
Total segment revenue	86,868	43,809	18,088	2,754	151,519
Operating expenses	(58,336)	(41,755)	(19,444)	(12,975)	(132,510)
Adjusted EBITDAI	28,532	2,054	(1,356)	(10,221)	19,009

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 3. Segment reporting (continued)

(c) Other segment information

A reconciliation of Adjusted EBITDAI to loss before income tax is provided as follows:

	December 2014 \$'000	December 2013 \$'000
Adjusted EBITDAI	10,614	19,009
Profit/(loss) on disposal of investments	340	(5,444)
Business transformation costs	(973)	(9,168)
Share-based payments and defined benefit expense	(892)	(886)
Costs relating to GST matter	(464)	(229)
CEO resignation costs	(233)	-
EBITDAI	8,392	3,282
Depreciation	(2,291)	(2,636)
Amortisation	(4,626)	(2,702)
Finance costs	(1,676)	(1,821)
Loss before income tax	(201)	(3,877)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 4. Income tax

(i) Reconciliation of income tax expense

	December 2014 \$'000	December 2013 \$'000
Loss before related income tax	(201)	(3,877)
Prima facie income tax at 30% (2013: 30%)	(60)	(1,163)
Add/(deduct) non-deductible/(taxable) items:		
Amortisation of intangibles	353	7
(Profit)/loss on disposal of investments	(102)	1,650
Under/(over) provision in prior year	148	(8)
Other	215	252
Income tax expense reported in the income statement	554	738

(ii) Income tax matters

GST Claim

As previously disclosed in the Consolidated Interim Financial Report for the half year ended 31 December 2010 and in each Financial Report thereafter, two entities within the tax consolidated group lodged claims in the Federal Court of Australia against the Commissioner of Taxation ('the Commissioner') in relation to a GST matter. This matter was heard in Federal Court on 26 June 2012 and judgement on the case received on 15 April 2013. The decision that was handed down did not have a material impact on the Group's earnings.

An appeal was lodged on 5 June 2013 and the matter was heard on 20 November 2013. The appeal judgement was received on 27 March 2014 and found in favour of the Commissioner. The Group lodged an application for special leave to appeal to the High Court of Australia, which was refused on 17 October 2014. Subject to the final determination of interest, costs and penalties, this matter is now concluded. Legal expenses and other associated costs in relation to this matter continue to be expensed as incurred and are shown in Note 3(c) for the current year.

The GST claim related to the operations of the inbound travel business, ATS Pacific Pty Ltd. As disclosed in Note 10, this business was sold to the AOT Group Limited on 30 September 2013. There is no ongoing impact on the Consolidated Income Statement of the Group as a consequence of this decision given that the Company no longer operates an inbound travel business.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2014**Note 5. Cash and cash equivalents**

	December 2014 \$'000	June 2014 \$'000
Cash at bank and on hand	28,294	28,469
Client cash ¹	110,333	155,851
Total cash and cash equivalents	138,627	184,320

¹ 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. In Australia, client cash is deposited into an account held exclusively for client funds, separate to the general funds of the entity.

Note 6. Borrowings

	December 2014 \$'000	June 2014 \$'000
Current		
Unsecured financing	801	892
Total current borrowings	801	892
Non- current		
Secured bank loan	25,569	25,319
Less: deferred borrowing costs	(1,829)	(1,974)
Total non-current borrowings	23,740	23,345

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 7. Dividends

The Company has not provided for any dividends during the half year to 31 December 2014.

	December 2014 \$'000	December 2013 \$'000
(a) Final dividend for the year ended 30 June		
0.5 cents per share, paid 4 October 2013	-	2,203
	-	2,203

All dividends are fully franked. The tax rate at which dividends are franked is 30%. The level of franking in relation to the dividend paid is 100%.

The ability to utilise the franking credits is dependent upon the Company meeting solvency based tests for payment of dividends set out in the Corporations Act 2001. In accordance with tax consolidation legislation, the Company, as head entity in the tax consolidated group, has assumed the benefit of franking credits of all entities.

In accordance with the Company's dividend policy, the Board has determined that the Company will not pay an interim dividend in relation to the half year ended 31 December 2014.

Note 8. Capital and reserves

(a) Ordinary Shares on issue and Contributed Equity

	Consolidated	
	Number of Shares	\$'000
As at 31 December 2014		
Fully paid Ordinary Shares of Helloworld Limited	440,356,334	278,756
As at 30 June 2014		
Fully paid Ordinary Shares of Helloworld Limited	440,548,572	278,822

Helloworld Limited Ordinary Shares

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 8. Capital and reserves (continued)

(a) Ordinary Shares on issue and Contributed Equity (continued)

On-market share buy-back program

On 27 August 2014, Helloworld Limited announced an on-market share buy-back program of up to 2.5% of the Company's issued share capital. During the period ended 31 December 2014, 192,238 shares were purchased under the share buy-back program for total consideration of \$66,000.

(b) Movements in Ordinary Shares on issue and Contributed Equity

	Consolidated	
	Number of Shares	\$'000
At 1 July 2014	440,548,572	278,822
On market buy-back and buy-back and cancelation	(192,238)	(66)
At 31 December 2014	440,356,334	278,756
 At 1 July 2013	 439,953,581	 278,822
Issue to Long Term Incentive Plan participants on 19 September 2014	594,991	-
At 30 June 2014	440,548,572	278,822

(c) Reserves

	Consolidated	
	December 2014 \$'000	June 2014 \$'000
Reserves		
Foreign currency translation reserve	3,865	2,205
Hedging reserve	1,442	(90)
Predecessor accounting reserve	156,400	156,400
Share-based payment reserve	2,176	1,895
Share-based payment trust	(45)	(246)
Total reserves	163,838	160,164

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 9. Earnings per share (EPS)**(a) Basic loss per share**

Total loss per share attributable to ordinary equity holders of the Company

December 2014 Cents	December 2013 Cents
(0.17)	(1.06)

(b) Diluted loss per share

Total diluted loss per share attributable to ordinary equity holders of the Company

(0.17)	(1.06)
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(c) Reconciliations of earnings used in calculating loss per share

Net loss for the half year attributable to the ordinary equity holders of the Company

December 2014 \$'000	December 2013 \$'000
(736)	(4,684)
(736)	(4,684)

Basic and diluted loss**(d) Weighted average number of shares used as the denominator**

Weighted average number of shares used as the denominator in calculating basic loss per share

440,531,856	440,289,880
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Adjustments for calculation of diluted loss per share:

- Weighted average number of potential ordinary shares issued as part of the Group's Long Term Incentive Plan¹

-	-
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Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share

440,531,856	440,289,880
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¹ The company has potential ordinary shares with a weighted average of 3,634,010 (December 2013: 5,127,414) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods ending 31 December 2014 and 31 December 2013.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2014**Note 10. Business acquisitions and disposals*****Disposal of the Inbound operations***

On 29 August 2013, the Group announced the disposal of its investment in Allied Tour Services Pacific Limited, Coral Sun Limited, Tourist Transport Fiji Limited, Great Sights Fiji Limited and Australian Travel Services (Pacific) Limited. As part of the same transaction, the Group also disposed of the net assets associated with the ATS Pacific Australia business. The disposal of these investments and businesses were completed in the period ending 30 June 2014.

These businesses were not reclassified as discontinued operations as they were not material to the Group Consolidated Income Statement or Group Consolidated Financial Position.

The preliminary loss on disposal was recorded in the Consolidated Income Statement for the period ending 30 June 2014. The proceeds from the sale of the business were \$4,461,000 and the net assets disposed of were \$9,934,000, resulted in a loss before tax of \$5,473,000.

The disposal was finalised during the six months ending 31 December 2014 resulting in a profit before tax of \$340,000 being recognised in the income statement for the period.

Acquisition of Advanced Applications (UK) Limited

On 1 November 2013, Helloworld Services Pty Limited (a wholly owned subsidiary) acquired 100% interest in the business of Advanced Applications (UK) Limited (Advanced Applications) for consideration of AU\$2,400,000. This comprises cash consideration of \$1,800,000 and deferred consideration of \$600,000 payable on 31 October 2016. As a result of the acquisition, the Group recognised intangible assets of \$2,400,000 representing intellectual property owned by Advanced Applications which is used in the Group's Air Tickets business.

Note 11. Contingent liabilities and contingent assets

There are no significant contingent liabilities or assets at 31 December 2014.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 12. Intangible assets

	December 2014 \$'000	June 2014 \$'000
Goodwill	239,182	236,501
Franchise systems	97,400	97,400
Brand names	749	1,525
Trademarks	2,970	3,249
Software, website and other	22,210	21,806
Total intangibles	362,511	360,481

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to operating segment. A segment level summary of the goodwill allocation at 31 December 2014 is presented below.

	December 2014 \$'000	June 2014 \$'000
Retail	171,336	169,473
Wholesale	67,846	67,028
Travel Management	-	-
Total goodwill	239,182	236,501

Impairment assessment at 31 December 2014**(a) Wholesale segment assessment**

At the balance date it has been determined that there are indicators of impairment of the intangible assets of the Wholesale segment, primarily as a result of reduced TTV and Revenue compared to prior year, due to softer than expected trading conditions in the six months to 31 December 2014. Therefore, in accordance with *AASB 136 Impairment of Assets*, an impairment review has been performed over the carrying value of the Wholesale cash generating unit.

The value in use calculation used in the impairment review has been based on management estimates using forecasts for a five year period, extrapolated at estimated growth rates not exceeding the long term average growth rate for the industry.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 12. Intangible assets (continued)**Impairment of intangible assets (continued)**

(a) Wholesale segment assessment (continued)

The key assumptions used in the value in use calculations for the Wholesale segment at 31 December 2014 are:

- Post tax discount rate of 10.9%
- Pre-tax discount rate of 14.3%
- Revenue growth of between 2.5% and 3% for the forecast period
- Operating expense growth between 0% and 1% for the forecast period
- Terminal growth rate of 2.5%

Value in use calculations are highly sensitive to changes in certain key assumptions. The impact of possible changes in key assumptions for the Wholesale segment impairment review at 31 December 2014 are outlined below:

- Decrease in forecast cash flow of 10% would result in an impairment of \$2.8 million being recorded.
- Increase in discount rate from 10.9% to 11.5% would result in an impairment of \$0.1 million being recorded.
- Terminal growth rate decrease from 2.5% to 2% would result in a reduction in headroom of \$3.4 million with no impairment recorded.

For the purpose of these calculations, the discount rate (the rate) is consistent with the rate used at 30 June 2014. The rate will be reviewed and, if appropriate, updated at year end to take into account any market changes.

(b) Retail segment assessment

At 30 June 2014 the carrying value of the Retail segment goodwill was reduced to its recoverable amount through recognition of an impairment against goodwill of \$59.5 million. The carrying value of the net assets for the Retail segment after the goodwill impairment of \$59.5 million is \$277.4 million. The impairment charge was recorded as a result of the reduction in the Retail network and the resulting impact on forecast earnings.

At 31 December 2014, an impairment review was not performed in respect of the Retail segment as no impairment indicators were identified in the six month period to 31 December 2014.

A comprehensive impairment review will be performed at 30 June 2015, consistent with the timing of the Group's annual impairment assessment process. Given an assessment has not been performed at 31 December 2014, the assumptions and sensitivities from the assessment performed at 30 June 2014, remain relevant and are outlined below.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended 31 December 2014

Note 12. Intangible assets (continued)**Impairment of intangible assets (continued)**

(b) Retail segment assessment (continued)

Key assumptions used in the Retail value-in-use calculation at 30 June 2014:

- Post tax discount rate 10.9%
- Pre-tax discount rate 14.2%
- Average nominal revenue growth projections over the forecast period approximate the industry growth rates, with forecast growth rates of 2.6% and inflationary increases for operating expenses
- Terminal growth rate of 2.5%

Impact of possible changes in key assumptions for the Retail segment impairment review at 30 June are outlined below:

- Decrease in forecast cash flow of 10% would result in an additional impairment of \$27.7 million.
- Increase in discount rate from 10.9% to 11.5% would result in an additional impairment of \$18.4 million.
- Terminal growth rate decrease from 2.5% to 2% would result in an additional impairment of \$11.5 million.

For the purpose of these calculations, the discount rate (the rate) is consistent with the rate used at 30 June 2014. The rate will be reviewed and, if appropriate, updated at year end to take into account any market changes.

Franchise System

The Franchise System is an indefinite life intangible asset entirely allocated to a CGU within the Retail segment. At 31 December 2014, no indicators of impairment have been identified in relation to this asset. As a result, a comprehensive impairment review will be performed at 30 June 2015, consistent with the timing of the Group's annual impairment assessment process. Given an assessment has not been performed at 31 December 2014, the assumptions and sensitivities from the assessment performed at 30 June 2014, remain relevant and are outlined below.

Key assumptions used in the Retail value-in-use calculation at 30 June 2014:

- Post tax discount rate 10.9%
- Pre-tax discount rate 14.7%
- Average nominal revenue growth projections of 3% per annum over the first five years in the forecast period and then 0% per annum thereafter
- Terminal growth rate of 0%
- EBITDA margin 16.3%
- Capital charges: range from -0.6% to 1.2%

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2014**Note 12. Intangible assets (continued)****Impairment of intangible assets (continued)****(b) Retail segment assessment (continued)**

The assumptions used in the Excess Earnings calculation are most sensitive to the revenue growth projections and the post-tax discount rate. In order for an impairment to be recorded in respect of the Franchise System asset:

- Revenue growth would need to decline by 4% per annum over the next five years and then remain stable onwards; or
- The discount rate would need to increase to 13.8%.

Note 13. Events Subsequent to Balance Date

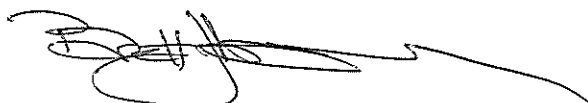
There has not arisen in the interval between 31 December 2014 and the date of this report, any event that would have had a material effect on the Financial Statements for the period ended 31 December 2014.

DIRECTORS' DECLARATION

In the opinion of the Directors of Helloworld Limited:

- (a) the financial statements and notes set out on pages 7 to 26, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Helloworld Limited Group as at 31 December 2014 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standards, 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 pay its debts as and when they become due and payable.

Signed pursuant to a Resolution of the Directors:



Brett Johnson
Chairman
Helloworld Limited

25 February 2015



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 2014, and the Consolidated Income Statement, the Consolidated Statement of 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 both 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 (including the Australian Accounting Interpretations) 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 an Interim 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 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 2014 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.

PricewaterhouseCoopers, ABN 52 780 433 757

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*

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:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
25 February 2015