HELLOWORLD LIMITED AND CONTROLLED ENTITIES

APPENDIX 4D AND

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2015

ABN 60 091 214 998

ASX CODE: HLO

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HELLOWORLD LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2015 $'000	December 2014 $'000	Change $'000	Change %
Total transaction value (TTV) [1]	2,430,985	2,307,519	123,466	5.4%
Revenue	138,962	139,455	(493)	(0.4%)
EBITDA [2]	8,121	8,392	(271)	(3.2%)
Loss before tax	(1,023)	(201)	(822)	(409.0%)
Loss after tax attributable to members	(1,653)	(736)	(917)	(124.6%)

	December 2015 Cents	December 2014 Cents	Change Cents	Change %
Basic loss per share	(0.38)	(0.17)	(0.21)	(123.5%)
Diluted loss per share	(0.38)	(0.17)	(0.21)	(123.5%)

[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.

[2] EBITDA is earnings before interest expense, tax, depreciation and amortisation. EBITDA 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 EBITDA to Loss before tax is contained in Note 3 of the accompanying Interim Financial Report.

Reconciliation of EBITDA to loss before tax

	December 2015 $'000	December 2014 $'000	Change $'000	Change %
EBITDA	8,121	8,392	(271)	(3.2%)
Depreciation and amortisation	(7,587)	(6,917)	(670)	(9.7%)
Finance costs	(1,557)	(1,676)	119	7.1%
Loss before tax	(1,023)	(201)	(822)	(409.0%)

Explanation of results

This information should be read in conjunction with the Helloworld Limited 2015 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 2015. 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 2015.

OTHER INFORMATION

Net tangible assets:

	December 2015 Cents	June 2015 Cents
Net Tangible Assets per ordinary share	2.21	3.65

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 2015.

DIRECTORS

The Directors of the Company in office at any time during or since the end of the half year ended 31 December 2015 are as follows:

Name	Period of Directorship
R Marcolina *(Acting Chairman)*	*Appointed 18 September 2015 (appointed acting Chairman 20 November 2015)*
B Johnson	*Appointed 27 February 2009; resigned 22 January 2016 (served as Chairman between 1 October 2014 and 20 November 2015)*
A Cummins	*Appointed 30 September 2010*
J Millar	*Appointed 30 September 2010; resigned 22 January 2016*
P Spathis	*Appointed 18 May 2015 (previously served on the Board from June 2002 to November 2012)*
A John	*Appointed 26 May 2011; resigned 18 September 2015*
E Gaines	*Appointed 30 June 2011; resigned 20 November 2015*
J McKellar	*Appointed 17 December 2014; resigned 20 November 2015*
A Burnes	*Appointed 1 February 2016*
C Burnes	*Appointed 1 February 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 Group is one of the leading integrated travel companies in Australia and New Zealand, operating several wholesale travel businesses (holiday packaging), franchise-based and affiliate retail agency networks, air ticket consolidation, airline representation and travel management services.

REVIEW OF OPERATIONS

Results

Total revenue for the half year ended 31 December 2015 was $139.0 million (2014: $139.5 million).

The Group reported a loss after tax of $1.7 million for the half year ended 31 December 2015 (2014: loss after tax $0.7 million).

DIRECTORS' REPORT (continued)

Earnings per share

Basic loss per share for the six months ended 31 December 2015 was a loss of 0.38 cents per share (2014: loss 0.17 cents per share). Diluted loss per share for the six months was 0.38 cents per share (2014: loss 0.17 cents per share).

On 22 January 2016 HLO shareholders passed a resolution to consolidate its shares on a six to one basis with effect immediately prior to the completion of the AOT Group Limited acquisition as detailed in Note 13.

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 2015.

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 December 2015 $'000	31 December 2014 $'000	Change %
Total transaction value (TTV) [1]	2,430,985	2,307,519	5.4%
Revenue	138,962	139,455	(0.4%)
Loss before tax	(1,023)	(201)	(409.0%)
Loss after tax attributable to members	(1,653)	(736)	(124.6%)

[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 2015 (December 2014: nil).

In accordance with the Company's dividend policy, the Company has not provided for any dividends subsequent to the half year ended 31 December 2015.

Liquidity and funding

At 31 December 2015 the Company had debt of $26.1 million (December 2014: $26.4 million) and held cash totalling $140.1 million (December 2014: $138.6 million).

DIRECTORS' REPORT (continued)

MATTERS SUBSEQUENT TO THE BALANCE DATE

Acquisition of AOT Group Limited

On 22 January 2016, the Company's shareholders voted in favour of the proposal to purchase 100% of the shares of AOT Group Limited and its subsidiaries (AOT). On 31 January 2016, the conditions of the share purchase were fulfilled and the Group completed the acquisition of AOT. AOT is a leading travel services provider with operations in Australia and internationally, operating in the inbound, government and wholesale sectors of the travel industry. The AOT acquisition integrates two complimentary travel businesses to create a leading integrated travel group in the Australian market offering a broad range of travel products and services.

Total consideration of the transaction comprised of $25 million of cash and the issue of 36,450,001 Helloworld Limited shares (post-share consolidation as detailed in Note 8(a)) issued on 1 February 2016 valued at $87.5 million on that day. The issue of shares increased the shareholding of The Burnes Group Pty Ltd and its associates in the Company to 40.0% (pre-acquisition shareholding 10.2%). Existing shareholders had their shareholding diluted on the allotment of the consideration shares.

Qantas Holidays Superannuation Plan

The Group currently operates the Qantas Holidays Superannuation Plan, a sub-plan of AustralianSuper (the Plan), which provides defined superannuation benefits to its members. The Group expects to close the Plan and cease to provide defined benefits with effect from 1 March 2016 with members converting to an accumulation-based fund from that date.

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 2015.

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.

Rob Marcolina
Acting Chairman
Helloworld Limited

Sydney, 24 February 2016

pwc

Auditor's Independence Declaration

As lead auditor for the review of Helloworld Limited for the half-year ended 31 December 2015, 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.

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
24 February 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

CONSOLIDATED INCOME STATEMENT
for the half year ended 31 December 2015

	Note	December 2015 $'000	December 2014 $'000
Revenue		**138,962**	**139,455**
Employee benefits expense		(62,513)	(60,737)
Advertising and marketing expenses		(21,062)	(23,242)
Selling expenses		(17,327)	(18,229)
Communication and technology expenses		(9,538)	(9,484)
Occupancy and rental expense		(6,654)	(6,494)
Operating expenses		(14,077)	(13,289)
Depreciation and amortisation		(7,587)	(6,917)
Profit on disposal of investments	10	330	340
Share of net profits of associates accounted for using the equity method		-	72
Operating (loss)/profit		**534**	**1,475**
Finance expense		(1,557)	(1,676)
Loss before income tax expense	2	**(1,023)**	**(201)**
Income tax expense	4	(626)	(554)
Loss after income tax expense		**(1,649)**	**(755)**
Less (loss)/profit attributable to non-controlling interests		**(4)**	**19**
Loss attributable to owners of Helloworld Limited		**(1,653)**	**(736)**
Earnings per share (EPS) attributable to owners of Helloworld Limited:			
Basic loss per share (cents)	9	(0.38)	(0.17)
Diluted loss per share (cents)	9	(0.38)	(0.17)

The Consolidated Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the half year ended 31 December 2015

	December 2015 $'000	December 2014 $'000
Loss after income tax expense for the half year	**(1,649)**	**(755)**
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Change in fair value of cash flow hedges net of income tax	(603)	1,532
Exchange differences on translation of foreign operations	1,751	1,660
Items that will not be reclassified to profit or loss		
Actuarial (loss) on defined benefit plan	(2,715)	-
Deferred tax expense/(credit) on defined benefit plan	814	(187)
Other comprehensive (loss)/income for the half year net of income tax expense	**(753)**	**3,005**
Total comprehensive (loss)/income for the half year net of income tax expense	**(2,402)**	**2,250**
Total comprehensive (loss)/income for the half year is attributable to:		
Owners of Helloworld Limited	(2,406)	2,269
Non-controlling interests	4	(19)
	(2,402)	**2,250**

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	December 2015 $'000	June 2015 $'000
Current assets			
Cash and cash equivalents	5	140,128	176,141
Trade and other receivables		95,263	104,869
Inventories		117	93
Derivative financial instruments		-	1,627
Income tax receivable		1,155	305
Total current assets		**236,663**	**283,035**
Non-current assets			
Investments accounted for using the equity method		47	460
Property, plant and equipment		17,994	16,916
Investment properties		175	175
Intangible assets	12	165,384	161,404
Deferred tax asset		6,382	5,242
Defined benefit asset		160	3,062
Receivables and other non-current assets		307	802
Total non-current assets		**190,449**	**188,061**
Total assets		**427,112**	**471,096**
Current liabilities			
Trade and other payables		168,658	183,609
Borrowings	6	693	-
Provisions		12,570	13,051
Deferred revenue		39,142	69,294
Derivative financial instruments		969	37
Total current liabilities		**222,032**	**265,991**
Non-current liabilities			
Borrowings	6	23,971	23,245
Deferred tax liability		380	295
Provisions		1,465	1,430
Other non-current liabilities		4,164	2,659
Total non-current liabilities		**29,980**	**27,629**
Total liabilities		**252,012**	**293,620**
Net assets		**175,100**	**177,476**
Equity			
Contributed equity	8(a)	278,755	278,755
Other reserves	8(c)	162,810	161,636
Accumulated losses		(266,568)	(263,014)
Capital and reserves attributable to equity holders of Helloworld Limited		**174,997**	**177,377**
Non-controlling interests		103	99
Total equity		**175,100**	**177,476**

The Consolidated 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 2015

Consolidated $'000	Contributed Equity	Other Reserves	(Accumulated losses)	**Total**	Non-Controlling Interests	**Total Equity**
Balance at 1 July 2015	278,755	161,636	(263,014)	**177,377**	99	**177,476**
Loss after income tax	-	-	(1,653)	**(1,653)**	4	**(1,649)**
Other Comprehensive income	-	1,148	(1,901)	**(753)**	-	**(753)**
Total comprehensive income for the period	-	1,148	(3,554)	**(2,406)**	4	**(2,402)**
Transactions with owners in their capacity as owners:						
Long term incentive plan:						
Expensed during the period	-	26	-	**26**	-	**26**
Balance as at 31 December 2015	**278,755**	**162,810**	**(266,568)**	**174,997**	**103**	**175,100**
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**

The Consolidated 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 2015

	December 2015 $'000	December 2014 $'000
Cash flows from operating activities		
Receipts from course of operations (inclusive of GST)	1,240,677	1,264,296
Payments to suppliers and employees (inclusive of GST)	(1,270,625)	(1,306,568)
Interest received	1,924	2,350
Interest paid	(1,057)	(1,269)
Income taxes paid	(1,556)	(1,888)
Net cash outflow from operating activities	**(30,637)**	**(43,079)**
Cash flows from investing activities		
Payments for property, plant and equipment	(2,559)	(1,742)
Payments for intangibles	(6,755)	(4,973)
Proceeds from disposal of investments, net of client cash disposed	690	2,119
Proceeds from disposal of property, plant and equipment	8	45
Proceeds from disposal of intangibles	-	18
Contributions from minority shareholder	-	36
Net cash outflow from investing activities	**(8,616)**	**(4,497)**
Cash flows from financing activities		
Proceeds from borrowings	1,579	1,008
Repayment of borrowings	(886)	(1,098)
Borrowing costs paid and capitalised	-	(68)
Purchase of shares on market	-	(111)
Net cash outflow from financing activities	**693**	**(269)**
Net decrease in cash and cash equivalents held	**(38,560)**	**(47,845)**
Cash and cash equivalents at the beginning of the half year	176,141	184,320
Effects of exchange rate changes on cash and cash equivalents	2,547	2,152
Cash and cash equivalents at the end of the half year	**140,128**	**138,627**

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

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 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 2015 comprises HLO 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 2015 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 HLO for the year ended 30 June 2015 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*.

HLO 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 24 February 2016.

(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 2015

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

(a) 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 2015 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 2015 HLO 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 year ended 30 June 2015 HLO consolidated financial report.

(b) New standards and interpretations

There are no new standards that are applicable for the first time in the current period.

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 2015

Note 2. Loss before income tax expense

Loss before income tax expense includes the following items:

	Note	**December 2015 $'000**	**December 2014 $'000**
Depreciation		(3,073)	(2,291)
Amortisation		(4,514)	(4,626)
Profit on disposal of investments		330	340
Trade receivables recovered/(impaired)		7	(96)
Net foreign exchange gains		806	1,639
Defined contribution superannuation expense		(3,413)	(3,204)
Defined benefit expense		(336)	(745)
Other employee benefit expenses		(58,764)	(56,555)
CEO resignation costs		-	(233)
Business transformation costs		(1,325)	(966)
AOT acquisition costs		(2,089)	-
Recovery/(costs) relating to GST matter	4	1,775	(464)
Finance income and expense			
Finance income recognised in revenue		1,924	2,350
Finance expenses		(1,557)	(1,676)
Total finance income and expense		**367**	**674**

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* for business, and the Concorde Agency Network (CAN – an independent network affiliated to the Group) in Australia. In New Zealand, the Group also operates as the franchisor for Harvey World Travel and The Travel Brokers. 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 2015

Note 3. Segment reporting (continued)

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.

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 Manage-ment	Corporate / Unallocated	Consolidated
	$’000	$’000	$’000	$’000	$’000
Period ended 31 December 2015					
TTV	**1,751,500**	**309,566**	**369,919**	**-**	**2,430,985**
Total segment revenue	78,863	35,051	23,432	1,616	138,962
Operating expenses	(60,690)	(35,026)	(19,974)	(15,151)	(130,841)
EBITDA	**18,173**	**25**	**3,458**	**(13,535)**	**8,121**
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	(64,059)	(34,790)	(17,151)	(15,063)	(131,063)
EBITDA	**16,332**	**3,487**	**1,798**	**(13,225)**	**8,392**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

Note 3. Segment reporting (continued)

(c) Other segment information

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

	December 2015 $'000	December 2014 $'000
EBITDA	**8,121**	**8,392**
Depreciation	(3,073)	(2,291)
Amortisation	(4,514)	(4,626)
Finance costs	(1,557)	(1,676)
Loss before income tax expense	**(1,023)**	**(201)**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

Note 4. Income tax

(i) Reconciliation of income tax expense

	December 2015 $'000	December 2014 $'000
Loss before income tax expense	(1,023)	(201)
Prima facie income tax credit at 30% (2014: 30%)	(307)	(60)
Add/(deduct) non-deductible/(taxable) items:		
Amortisation of intangibles	22	353
(Profit) on disposal of investments	(99)	(102)
Under provision in prior year	258	148
Non deductable acquisition costs	677	-
Other	75	215
Income tax expense reported in the income statement	**626**	**554**

(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 unsuccessful claims and appeals in the Federal Court of Australia against the Commissioner of Taxation ('the Commissioner') in relation to a GST matter related to tax periods April 2005 to June 2009. Out of court costs were settled in the year ended 30 June 2015.

The GST claim related to the operations of the inbound travel business, ATS Pacific Pty Ltd. This business was sold to AOT Group Limited in the year ended 30 June 2014.

Separate to the above unsuccessful proceedings, on 14 January 2016 the Commissioner of Taxation confirmed, subject to entering into a Deed of Settlement, that it will not seek to obtain 75% of the GST on margin relating to this matter for the tax periods from 1 July 2009 to 30 September 2013. This was based on discussions with the Commissioner of Taxation in respect of tax periods not before the Courts. The decision was determined during the current period and as a result the Group has released 75% of the GST liability being $1.8 million relating to this matter to the consolidated income statement of the Group.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

Note 5. Cash and cash equivalents

	December 2015 $'000	June 2015 $'000
Cash at bank and on hand	20,745	27,365
Client cash[1]	119,383	148,776
Total cash and cash equivalents	**140,128**	**176,141**

[1] Client cash includes all monies entrusted to the Group by customers prior to being paid to suppliers. 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 2015 $'000	June 2015 $'000
Current		
Unsecured financing	693	-
Total current borrowings	**693**	**-**
Secured bank loan	25,374	24,861
Less: deferred borrowing costs	(1,403)	(1,616)
Total non-current borrowings	**23,971**	**23,245**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

Note 7. Dividends

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 2015 (2014: nil).

Note 8. Capital and reserves

(a) Ordinary Shares on issue and Contributed Equity

	Consolidated	
	Number of Shares	**$'000**
As at 31 December 2015		
Fully paid Ordinary Shares of Helloworld Limited	440,330,198	278,755
As at 30 June 2015		
Fully paid Ordinary Shares of Helloworld Limited	440,356,334	278,763
Less shares bought back, not yet cancelled	(26,136)	(8)
Contributed Equity	440,330,198	278,755

Helloworld Limited Ordinary Shares

Holders of Ordinary Shares in HLO 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.

On 22 January 2016 HLO shareholders passed a resolution to consolidate its shares on a six to one basis with effect immediately prior to the completion of the AOT Group Limited acquisition as detailed in Note 13.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

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 and cancelled under the share buy-back program for total consideration of $59,000. The share buy-back concluded on 27 August 2015. A total of 218,374 ordinary shares were bought back and cancelled throughout the duration of the program.

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

	Consolidated	
	Number of Shares	**$'000**
At 1 July 2015	440,330,198	278,755
At 31 December 2015	**440,330,198**	**278,755**
At 1 July 2014	440,548,572	278,822
On market buy-back and buy-back and cancellation	(192,238)	(59)
On market buy-back of shares held by the Company but not yet cancelled	(23,525)	(7)
At 31 December 2014	**440,332,809**	**278,756**

(c) Reserves

	Consolidated	
	December 2015 $'000	**June 2015 $'000**
Reserves		
Foreign currency translation reserve	4,236	2,485
Hedging reserve	454	1,057
Predecessor accounting reserve	156,400	156,400
Share-based payment reserve	1,720	1,694
Total reserves	**162,810**	**161,636**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

Note 9. Earnings per share (EPS)

	December 2015 Cents	December 2014 Cents
(a) Basic loss per share		
Total loss per share attributable to ordinary equity holders of the Company	(0.38)	(0.17)
(b) Diluted loss per share		
Total diluted loss per share attributable to ordinary equity holders of the Company	(0.38)	(0.17)

	December 2015 $'000	December 2014 $'000
(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	(1,653)	(736)
Basic and diluted loss	**(1,653)**	**(736)**

	December 2015	December 2014
(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	440,330,198	440,531,856
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 Plan[1]	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	440,330,198	440,531,856

[1] The company has potential ordinary shares with a weighted average of 2,785,154 (December 2014: 3,634,010) 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 2015 and 31 December 2014.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

Note 10. Business acquisitions and disposals

Acquisition of company owned stores

During the six months ended 31 December 2015, the Group acquired the assets of six retail stores in New Zealand for a combined consideration of $0.7 million. As a result of the acquisitions the Group recognised $0.7 million of intangible assets representing the goodwill acquired on purchase of the businesses.

Disposal of associate

During the six months ended 31 December 2015, the Group disposed of its investment in Harvey World Travel Southern Africa (Pty) Limited for a consideration of $0.7 million. The disposal resulted in a profit before tax of $0.3 million in the period.

Note 11. Contingent liabilities and contingent assets

Refer to contingent liabilities related to the acquisition of AOT Group Limited detailed in Note 13.

There are no other significant contingent liabilities or assets at 31 December 2015.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

Note 12. Intangible assets

	December 2015 $'000	June 2015 $'000
Goodwill	35,229	32,531
Franchise systems	97,400	97,400
Brand names	806	806
Trademarks	2,402	2,686
Software, website and other	29,547	27,981
Total intangibles	**165,384**	**161,404**

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 2015 is presented below.

	December 2015 $'000	June 2015 $'000
Retail	24,471	22,597
Wholesale	10,758	9,934
Total goodwill	**35,229**	**32,531**

Impairment assessment at 31 December 2015

(a) Wholesale segment assessment

At 30 June 2015 the carrying value of the Wholesale segment goodwill was reduced to its recoverable amount through recognition of an impairment against goodwill of $57.5 million. The carrying value of the net assets for the Wholesale segment after the goodwill impairment of $57.5 million was $22.0 million. The impairment charge was a result of a reassessment of forecast earnings following a re-evaluation of market growth assumptions.

As required by *AASB 134: Interim Financial Reporting* it has been determined that there are indicators of impairment of the intangible assets of the Wholesale segment as at 31 December 2015, primarily as a result of reduced TTV and Revenue compared to the prior comparative period. This is due to softer than expected trading conditions in the six months to 31 December 2015, although management are expecting more favourable trading conditions in the six months to 30 June 2016. 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 2015

Note 12. Intangible assets (continued)

Impairment assessment at 31 December 2015 (continued)

(a) Wholesale segment assessment (continued)

The key assumptions used in the value in use calculations for the Wholesale segment at 31 December 2015 are:

- Post tax discount rate of 10.9%
- Pre-tax discount rate of 14.4%
- Revenue growth of 2.0% for the forecast period
- Operating expense growth of 2.0% for the forecast period
- Terminal growth rate of 2.0%

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 2015 are outlined below:

- Decrease in forecast cash flow of 10% would result in a reduction in headroom of $11.1 million with no impairment recorded.
- Increase in discount rate from 10.9% to 11.5% would result in a reduction in headroom of $2.2 million with no impairment recorded.
- Terminal growth rate decrease from 2.0% to 1.5% would result in a reduction in headroom of $1.4 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 2015. 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 2015 the carrying value of the Retail segment goodwill was reduced to its recoverable amount through recognition of an impairment against goodwill of $147.8 million. The carrying value of the net assets for the Retail segment after the goodwill impairment of $147.8 million was $131.8 million. The impairment charge was a result of a reassessment of forecast earnings following a re-evaluation of market growth assumptions.

At 31 December 2015, 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 2015.

A comprehensive impairment review will be performed at 30 June 2016, consistent with the timing of the Group’s annual impairment assessment process. Given an assessment has not been performed at 31 December 2015, the assumptions and sensitivities from the assessment performed at 30 June 2015, remain relevant and are outlined below.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

Note 12. Intangible assets (continued)

Impairment assessment at 31 December 2015 (continued)

(b) Retail segment assessment (continued)

Key assumptions used in the Retail value-in-use calculation at 30 June 2015:
- Post tax discount rate 10.9%
- Pre-tax discount rate 14.5%
- Revenue growth of 3.0% for the forecast period
- Operating expense growth of 2.4% for the forecast period
- Terminal growth rate of 2.0%

Impact of possible changes in key assumptions for the Retail segment impairment review performed at 30 June 2015 are outlined below:
- Decrease in forecast cash flow of 10% would result in an additional impairment of $13.2 million.
- Increase in discount rate from 10.9% to 11.5% would result in an additional impairment of $8.5 million.
- Terminal growth rate decrease from 2.0% to 1.5% would result in an additional impairment of $5.4 million.

For the purpose of these calculations, the discount rate (the rate) is consistent with the rate used at 30 June 2015. 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 2015, 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 2016, consistent with the timing of the Group’s annual impairment assessment process. Given an assessment has not been performed at 31 December 2015, the assumptions and sensitivities from the assessment performed at 30 June 2015, remain relevant and are outlined below.

Key assumptions used in the Retail value-in-use calculation at 30 June 2015:
- Post tax discount rate 10.9%
- Pre-tax discount rate 15.9%
- 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 14.4%
- Capital charges: range from -0.5% to 1.2%

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

Note 12. Intangible assets (continued)

Impairment assessment at 31 December 2015 (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 to 0% per annum; or
- The discount rate would need to increase to 12.2% post-tax.

Note 13. Events Subsequent to Balance Date

Acquisition of AOT Group Limited

On 22 January 2016, the Company's shareholders voted in favour of the proposal to purchase 100% of the shares of AOT Group Limited and its subsidiaries (AOT). On 31 January 2016, the conditions of the share purchase were fulfilled and the Group completed the acquisition of AOT. AOT is a leading travel services provider with operations in Australia and internationally, operating in the inbound, government and wholesale sectors of the travel industry. The AOT acquisition integrates two complimentary travel businesses to create a leading integrated travel group in the Australian market offering a broad range of travel products and services.

Total consideration of the transaction comprised of $25 million of cash and the issue of 36,450,001 Helloworld Limited shares (post-share consolidation as detailed in Note 8(a)) issued on 1 February 2016 valued at $87.5 million on that day. The issue of shares increased the shareholding of The Burnes Group Pty Ltd and its associates in the Company to 40.0% (pre-acquisition shareholding 10.2%). Existing shareholders had their shareholding diluted on the allotment of the consideration shares.

Acquisition-related costs included in operating expenses in the Group consolidated income statement for the period ended 31 December 2015 amounted to $2,089,000. In addition, at the completion of the acquisition the Company paid an advisor a transaction fee of $1,437,500 plus GST, and paid transaction incentives to employees of $495,000.

Because the process of fair valuing the AOT business has not been completed as at 24 February 2016, the initial accounting for the business combination is incomplete. As a result, the Group is unable to disclose at this time the following information regarding the acquisition:

- the amounts recognised as of the acquisition date for each major class of assets and liabilities acquired/assumed
- the amount of goodwill or other intangible assets acquired
- the existence of or the values relating to any contingent liabilities recognised on acquisition

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half year ended 31 December 2015

Note 13. Events Subsequent to Balance Date (continued)

Qantas Holidays Superannuation Plan

The Group currently operates the Qantas Holidays Superannuation Plan, a sub-plan of AustralianSuper (the Plan), which provides defined superannuation benefits to its members. The Group expects to close the Plan and cease to provide defined benefits with effect from 1 March 2016 with members converting to an accumulation-based fund from that date.

The impact of the closure of the Plan on the consolidated income statement will be recognised in the 30 June 2016 consolidated financial report.

DIRECTORS' DECLARATION

In the opinion of the Directors of Helloworld Limited:

(a) the financial statements and notes set out on pages 7 to 27, 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 2015 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:

Rob Marcolina
Acting Chairman
Helloworld Limited

24 February 2016

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 2015, the consolidated income statement and 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 Helloworld (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 2015 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*.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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 2015 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brett Entwistle
Partner

Sydney
24 February 2016