24 February 2020

The Manager
Markets Announcement Office
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Helloworld Travel Limited Financial Report for the half year ended 31 December 2019

Further to the Company's announcement to the market today on the financial results for the half year ended 31 December 2019, please find attached the Financial Report.

David Hall

Chief Financial Officer
Helloworld Travel Limited
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helloworld TRAVEL LIMITED

HELLOWORLD TRAVEL LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

helloworldlimited.com.au

ABN 60 091 214 998
ASX CODE: HLO

CONTENTS

DIRECTORS' REPORT

The Directors of Helloworld Travel Limited (Helloworld Travel), present their Report together with the Interim Financial Statements of the Consolidated Entity (the Group) being Helloworld Travel Limited and the entities that it controlled at the end of, or during, the half year ended 31 December 2019 and the Independent Auditor's Review Report.

Directors

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

- Garry Hounsell (Chairman)
- Andrew Burnes (Chief Executive Officer and Managing Director)
- Cinzia Burnes
- Mike Ferraro
- Andrew Finch

Principal activities

The principal activities during the half year of the entities in the Group were the selling of international and domestic travel products and services and the operation of retail distribution networks of travel agents.

Helloworld Travel is a leading Australian and New Zealand travel distribution company comprising retail distribution travel businesses, destination management services (for inbound Australian, New Zealand and South Pacific travel), air ticket consolidation, wholesale leisure (domestic and outbound), corporate and online operations. Retail distribution operations include Helloworld Travel, Australia's largest network of branded franchised travel agents, in addition to the Helloworld Associate network, Helloworld Business Travel, the My Travel Group, Mobile Travel Agent (MTA) and the Magellan Travel Group network.

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

Review of operations

Overview of results

Helloworld Travel's key financial results for the half year ended 31 December 2019 compared with the prior corresponding period for the half year ended 31 December 2018 are summarised below.

	1H20 $000's	1H19 Restated $000's	Change $000's	Change %
Total Transaction Value (TTV) (i)	3,559,888	3,152,892	406,996	12.9%
Revenue	200,043	182,197	17,846	9.8%
Revenue margin	*5.6%*	*5.8%*		*(0.2) ppt*
Underlying EBITDA (ii)	48,024	41,817	6,207	14.8%
Underlying EBITDA margin	*24.0%*	*23.0%*		*1.0 ppt*
Profit before income tax expense	32,879	31,334	1,545	4.9%
Profit after income tax expense	22,678	21,793	885	4.1%

Comparatives have been restated for changes in accounting standards. For details regarding the restatement refer to note 2 of the Consolidated Interim Financial Statements.

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

(ii) Underlying EBITDA represents earnings before interest expense, tax, depreciation and amortisation, adjusted to:

- include depreciation on right of use assets and interest expense on lease liabilities arising from the application of the new lease accounting standard; and
- exclude large non-recurring items. In the current half year, this reflects business acquisition related expenses and discretionary amounts paid to the Group's retail agents impacted by the collapse of Tempo Holidays and Bentours.

A reconciliation of Underlying EBITDA to profit before income tax expense is provided in note 5: operating segments of the Consolidated Interim Financial Statements.

During the current half year, Helloworld Travel benefited from an expanded business and greater operational efficiencies to again deliver strong growth in TTV, revenue, Underlying EBITDA and net profit after tax compared with the prior corresponding period. The business continues to grow both organically and through the business acquisitions of the TravelEdge Group (TravelEdge), Show Group and Williment Travel, while increasing the scale of the business with strong investment in marketing initiatives and enhanced technology solutions that will continue to drive profit growth.

TTV grew by 12.9% to $3,559.9 million driven by continued business expansion highlighted by growth across Australia and New Zealand retail divisions, Australian wholesale and corporate travel businesses, in addition to the inclusion of prior year acquisitions of the Show Group and Williment Travel and current year acquisition of TravelEdge. The TTV growth was partially offset by the impact of the sale of the Insider Journeys business in FY19 and lower than prior year trading of the Australian inbound business, impacted by political uncertainty in key markets, including the United Kingdom and Hong Kong. TTV in the New Zealand wholesale business also contracted, which was mainly due to the strategic decision to terminate unprofitable customer contracts.

Revenue increased by 9.8% to $200.0 million driven by factors outlined above, coupled with better contracting outcomes.

Revenue margin of 5.6% was 0.2 ppt below the prior year, impacted by the change in business mix, with stronger TTV growth coming from the Group's comparatively lower margin retail business.

Operating costs (segment expenses including operating lease costs) were $152.8 million, $11.5 million or 8.1 % above the prior corresponding period, reflecting business acquisitions and higher variable selling expenses driven by revenue growth. Helloworld Travel maintained a strong investment in advertising, marketing and sponsorship for members and brands, showcased by the second season of the 'Helloworld' TV Show on the Seven Network, new branded television commercials and a strategic marketing partnership with News Corporation. These initiatives are continuing to increase brand awareness and drive revenue growth.

Equity accounted profits of $0.8 million were marginally lower than the prior year. Strategies are underway to improve performance in future periods.

Underlying EBITDA, which excludes current year one-off business acquisition expenses of $1.2 million and discretionary amounts paid to the Group's retail agents impacted by the collapse of Tempo Holidays and Bentours of $0.6 million, was $48.0 million, up 14.8% or $6.2 million on the prior corresponding period. The Underlying EBITDA to revenue margin was 24.0% compared with 23.0% in the prior half year. Depreciation and amortisation (excluding depreciation on leases) increased by $2.3 million to $11.8 million due to the amortisation of commercial agreements and other acquired intangible assets and the continued investment in technology developments. Finance expenses (excluding interest on leases) increased by $0.5 million to $1.5 million due to the higher level of borrowings held to fund the business acquisitions.

Profit before tax increased by $1.5 million to $32.9 million. The income tax effective rate was 31.0% in the current half year compared with the prior corresponding period of 30.5%. As a result, the profit after tax was $22.7 million, an increase of $0.9 million or 4.1% compared to the prior corresponding period.

Helloworld Travel has delivered a strong profit result and maintains a healthy balance sheet position that supports future expansion and agent network growth, while returning surplus funds to shareholders. As a result, Helloworld Travel has declared a fully franked interim dividend of 9.0 cents per share. The 9.0 cent dividend represents a payout ratio to owners of Helloworld Travel Limited of 50.0% compared to 45.8% in the prior period.

Shareholder returns

Basic earnings per share for the half year ended 31 December 2019 was 18.2 cents per share (2018: 18.1 cents per share). Diluted earnings per share for the half year ended 31 December 2019 was 18.2 cents per share (2018: 18.0 cents per share). The increase in earnings per share was led by growth in net profit, partially offset by a higher number of weighted average shares from the vesting of 2,200,000 LTIP shares on 1 July 2019.

	December 2019 cents per share	December 2018 cents per share
Final prior year dividend, paid in interim period	12.5	11.0
Interim dividend declared	9.0	8.0
TOTAL DIVIDENDS DECLARED OR PAID	**21.5**	**19.0**

On 17 September 2019, the Group distributed a 12.5 cents per share fully franked final dividend for the year ended 30 June 2019, amounting to $15.6 million.

On 24 February 2020, the Group declared a 9.0 cents per share fully franked interim dividend. The dividend is to be paid on 19 March 2020, with a record date of 4 March 2020. The interim dividend is expected to amount to $11.2 million based on the closing number of issued shares at 31 December 2019 of 124,720,842. The dividend will be paid out of the current year profits, but is not recognised as a liability at 31 December 2019.

Equity issuance

On 1 July 2019, the Group entered into agreements for the distribution of travel products as part of the Group's distribution expansion. Purchase consideration for the New Zealand commercial agreements totalled $2.9 million and will be amortised over its useful life. The purchase consideration included share consideration of $0.9 million, comprising $0.6 million of existing shares (150,000 shares) and $0.3 million relating to new shares issued (62,766 shares).

At the Helloworld Travel Annual General Meeting held on 14 November 2019, the Group's shareholders voted for the adoption of the Helloworld Travel Limited Omnibus Incentive Plan. On 16 December 2019, 146,932 shares were purchased under the Plan amounting to $0.7 million. These shares have been granted to employees that have met eligibility criteria, up to the value of $1,000 per employee. These shares are held by an employee share trust and will be transferred to the employees upon the earlier of resignation or completion of three years of service from grant date.

Acquisitions

On 1 October 2019, Helloworld Travel acquired 100% of TravelEdge for a total consideration of $22.6 million, which was funded using a new debt facility. TravelEdge, one of Australia's largest privately owned corporate travel management companies, operates through six divisions, providing corporate travel management solutions, academic travel services, event and group planning and delivery, holiday and leisure services and travel prizing and incentives. The acquisition will allow Helloworld Travel to expand in the corporate and education travel sectors, while complementing existing corporate operations in Australia and New Zealand.

Liquidity and funding

At 31 December 2019, the Group held a cash balance of $142.0 million (June 2019: $204.8 million, December 2018: $130.1 million). The decreased cash balance of $62.8 million reflects:

- a reduction in restricted cash of $69.8 million, mainly due to the seasonality of monies held by the Group for customers prior to travelling and the timing of the Group's payment cycle under International Air Transport Association (IATA) regulations;
- an increase of $4.0 million relating to amounts borrowed to fund the TravelEdge acquisition. Payment is subject to satisfaction of certain conditions; and
- a $3.0m increase in non-restricted cash from improved operating performance.

During the current half year, the Group increased its debt facility level by $30.0 million to $120.0 million at 31 December 2019.

At 31 December 2019, the Group held external borrowings of $90.4 million (June 2019: $56.4 million, December 2018: $51.4 million) with available headroom on its debt facilities of $15.9 million (June 2019: $21.0 million, December 2018: $6.6 million). During the current half year, external long-term borrowings increased by $34.0 million to $90.4 million to fund the acquisition of TravelEdge, support product initiatives and maintain seasonal working capital requirements.

Helloworld Travel maintains a strong balance sheet, holding a high level of operating cash and positive net current assets, supported by a secured long-term debt facility with Westpac Banking Corporation.

Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years except for the following item:

- On 24 February 2020, the Group declared a 9.0 cents per share fully franked interim dividend. The dividend is to be paid on 19 March 2020, with a record date of 4 March 2020. The interim dividend is expected to amount to $11.2 million based on the closing number of issued shares at 31 December 2019 of 124,720,842. The dividend will be paid out of the current year profits, but is not recognised as a liability at 31 December 2019.

Auditor's independence declaration

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

Rounding of amounts

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

Made in accordance with a resolution of the Directors.

Garry Hounsell

Chairman
Helloworld Travel Limited
Melbourne, 24 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Helloworld Travel Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
24 February 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	CONSOLIDATED 31 Dec 2019 $'000	 31 Dec 2018 Restated $'000
REVENUE	3	**200,043**	**182,197**
Employee benefits expenses	4	(73,934)	(68,106)
Advertising and marketing expenses		(18,022)	(18,205)
Selling expenses		(27,425)	(26,620)
Communication and technology expenses		(10,636)	(10,736)
Occupancy expenses		(2,035)	(1,724)
Operating expenses		(17,634)	(11,583)
Profit on disposal of investments	4	-	20
Share of profit of associates accounted for using the equity method		806	987
Depreciation and amortisation expense	4	(16,203)	(13,425)
Finance expense	4	(2,081)	(1,471)
PROFIT BEFORE INCOME TAX EXPENSE		**32,879**	**31,334**
Income tax expense		(10,201)	(9,541)
PROFIT AFTER INCOME TAX EXPENSE FOR THE HALF YEAR		**22,678**	**21,793**
PROFIT FOR THE HALF YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest		207	19
Owners of Helloworld Travel Limited		22,471	21,774
		22,678	**21,793**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedges		(880)	(663)
Income tax benefit on cash flow hedges		269	193
Exchange differences on translation of foreign operations		(20)	1,605
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE HALF YEAR, NET OF TAX		**(631)**	**1,135**
TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR		**22,047**	**22,928**
TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest		207	19
Owners of Helloworld Travel Limited		21,840	22,909
		22,047	**22,928**
		Cents	Cents
Basic earnings per share	7	**18.2**	**18.1**
Diluted earnings per share	7	**18.2**	**18.0**

Comparatives have been restated for changes in accounting standards. For details regarding the restatement refer to note 2.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Note	CONSOLIDATED 31 Dec 2019 $'000	30 Jun 2019 Restated $'000
CURRENT ASSETS			
Cash and cash equivalents	8	141,995	204,755
Trade and other receivables		102,431	97,141
Accrued revenue		73,732	66,681
Inventories		476	471
Derivative financial instruments		-	368
TOTAL CURRENT ASSETS		**318,634**	**369,416**
NON-CURRENT ASSETS			
Trade and other receivables		5,680	5,939
Investments accounted for using the equity method		17,862	17,109
Property, plant and equipment		16,707	17,608
Right of use assets		23,461	24,529
Intangible assets		367,450	338,446
Deferred tax assets		1,004	816
TOTAL NON-CURRENT ASSETS		**432,164**	**404,447**
TOTAL ASSETS		**750,798**	**773,863**
CURRENT LIABILITIES			
Trade and other payables		175,310	210,944
Lease liabilities		9,494	8,509
Provisions		16,488	15,622
Deferred revenue		62,229	96,939
Income tax payable		341	478
Derivative financial instruments		616	-
TOTAL CURRENT LIABILITIES		**264,478**	**332,492**
NON-CURRENT LIABILITIES			
Borrowings	9	90,427	56,428
Lease liabilities		18,201	19,986
Deferred tax liabilities		47,329	44,664
Provisions		2,877	3,004
Other non-current liabilities		5,160	5,151
TOTAL NON-CURRENT LIABILITIES		**163,994**	**129,233**
TOTAL LIABILITIES		**428,472**	**461,725**
NET ASSETS		**322,326**	**312,138**
EQUITY			
Issued capital	10	419,466	416,219
Reserves	11	248	693
Accumulated losses	12	(99,076)	(106,255)
EQUITY ATTRIBUTABLE TO THE OWNERS OF HELLOWORLD TRAVEL LIMITED		**320,638**	**310,657**
Non-controlling interest		1,688	1,481
TOTAL EQUITY		**322,326**	**312,138**

Comparatives have been restated for changes in accounting standards. For details regarding the restatement refer to note 2.

The above 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 2019

CONSOLIDATED	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interests \$'000	Total equity \$'000
BALANCE AT 30 JUNE 2018	**408,495**	**1,716**	**(120,338)**	**1,458**	**291,331**
Change in accounting policy (note 2)	-	-	(736)	(4)	**(740)**
RESTATED BALANCE AT 1 JULY 2018	**408,495**	**1,716**	**(121,074)**	**1,454**	**290,591**
Profit after income tax expense (restated)	-	-	21,774	19	**21,793**
Other comprehensive income/(loss) (restated)	-	1,135	-	-	**1,135**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE HALF YEAR	**-**	**1,135**	**21,774**	**19**	**22,928**
Transactions with owners in their capacity as owners net of tax:					
LTIP expensed	-	454	-	-	**454**
Franchise loyalty plan expensed	-	536	-	-	**536**
Sale of forfeited shares, net of transaction costs	3,907	-	-	-	**3,907**
Transfer of reserve for vested shares to issued capital	3,817	(3,817)	-	-	**-**
Dividends	-	-	(13,696)	-	**(13,696)**
Dividends associated with LTIP	-	-	270	-	**270**
Transactions with non-controlling interest:					
Acquisition through business combinations	-	-	-	(8)	**(8)**
BALANCE AT 31 DECEMBER 2018	**416,219**	**24**	**(112,726)**	**1,465**	**304,982**

CONSOLIDATED	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interests \$'000	Total equity \$'000
BALANCE AT 30 JUNE 2019	**416,219**	**721**	**(105,411)**	**1,488**	**313,017**
Change in accounting policy (note 2)	-	(28)	(844)	(7)	**(879)**
RESTATED BALANCE AT 1 JULY 2019	**416,219**	**693**	**(106,255)**	**1,481**	**312,138**
Profit after income tax expense	-	-	22,471	207	**22,678**
Other comprehensive income/(loss)	-	(631)	-	-	**(631)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE HALF YEAR	**-**	**(631)**	**22,471**	**207**	**22,047**
Transactions with owners in their capacity as owners net of tax:					
LTIP expensed	-	179	-	-	**179**
Franchise loyalty plan expensed	-	7	-	-	**7**
Issue of new shares, net of transaction costs	277	-	-	-	**277**
Sale of forfeited shares, net of transaction costs	669	-	-	-	**669**
Proceeds on repayment of LTIP related loans	2,301	-	-	-	**2,301**
Acquisition of shares	(671)	-	-	-	**(671)**
Issue of shares to employees	671	-	-	-	**671**
Dividends	-	-	(15,590)	-	**(15,590)**
Dividends associated with LTIP	-	-	298	-	**298**
BALANCE AT 31 DECEMBER 2019	**419,466**	**248**	**(99,076)**	**1,688**	**322,326**

Comparatives have been restated for changes in accounting standards. For details regarding the restatement refer to note 2.

The above 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 2019

	Note	CONSOLIDATED 31 Dec 2019 $'000	31 Dec 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		1,866,515	1,552,591
Payments to suppliers and employees (inclusive of GST)		(1,902,851)	(1,591,270)
Interest received		1,450	1,681
Finance costs paid		(1,948)	(1,390)
Income taxes paid		(8,598)	(11,581)
NET CASH USED IN OPERATING ACTIVITIES		**(45,432)**	**(49,969)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangibles		(11,346)	(10,321)
Payments for property, plant and equipment		(1,865)	(2,415)
Payments for acquisition of businesses	13	-	(7,000)
Payments for acquisition of controlled entities, net of cash acquired	13	(20,325)	-
Proceeds from adjustment for acquired controlled entities		-	210
Proceeds from disposal of investment property		-	195
Proceeds from disposal of intangibles		257	-
Proceeds from disposal of property, plant and equipment		58	-
Dividends from associates		54	1,046
NET CASH USED IN INVESTING ACTIVITIES		**(33,167)**	**(18,285)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of borrowings		34,000	10,000
Proceeds from loan funded LTIP repayments		2,301	-
Proceeds from forfeited share sales, net of costs		-	3,907
Dividends paid to company shareholders	6	(15,292)	(13,426)
Loans provided to related parties for equity accounted investments		-	(2,450)
Loans repaid from related parties for equity accounted investments		119	156
Payments for shares acquired by employee share trust		(671)	-
Principal elements of lease payments		(4,206)	(4,593)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**16,251**	**(6,406)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(62,348)**	**(74,660)**
Cash and cash equivalents at the beginning of the financial half year		204,755	203,528
Effects of exchange rate changes on cash and cash equivalents		(412)	1,255
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL HALF YEAR		**141,995**	**130,123**

Comparatives have been restated for changes in accounting standards. For details regarding the restatement refer to note 2.

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

(a) Reporting entity

Helloworld Travel Limited (The Company) is incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Stock Exchange (ASX). On 1 January 2020, the registered office and principal place of business of Helloworld Travel Limited was changed to 179 Normanby Road, South Melbourne, VIC 3205 (formerly Level 10, 388 Pitt Street, Sydney, NSW 2000).

The Consolidated Interim Financial Report (financial report) of Helloworld Travel Limited and its controlled entities (the Group), for the six months ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 24 February 2020.

Helloworld Travel Limited is a for profit entity and its principal activities were the selling of international and domestic travel products and services and the operation of retail distribution networks of travel agents.

(b) Presentation and measurement

(i) Statement of compliance

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

The financial report does not include all the information normally required for the annual financial report. Accordingly, this report should be read in conjunction with the annual report of Helloworld Travel for the year ended 30 June 2019 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.

(ii) Basis of accounting

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

(iii) Functional and presentational currency

The financial report is presented in Australian dollars, which is the Group's functional currency.

(iv) Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

(v) Consistent application of accounting policies

The accounting policies have been consistently applied by all entities included in the financial report. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out in note 2: changes in accounting standards.

(vi) Comparative periods

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

2. Changes in accounting standards

The Group has applied AASB 16: Leases (AASB 16) for the first time for the half year reporting period commencing 1 July 2019. The Group has adopted this accounting standard using the full retrospective approach, where comparatives have been restated. As a result, the initial date of applying the new standard is the comparative period beginning on 1 July 2018.

There are no other accounting standard changes or amendments that have any impact on the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(a) AASB 16: Leases

AASB 16 replaces previous leases guidance, including AASB 117: Leases (AASB 117), Interpretation 4: Determining whether an Arrangement contains a Lease, Interpretation 115: Operating Leases – Incentives and Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AASB 16 introduces a single, on balance sheet lease accounting model for lessees. The adoption of this new Standard has resulted in the Group recognising a right of use asset and related lease liability in connection with all operating leases except for those identified as low value or those having a lease term of less than 12 months. Depreciation of right of use assets and interest on lease liabilities is charged to the profit or loss statement and replaces straight line operating lease expense. Lessor accounting does not change under the new standard with lessors continuing to classify leases as finance or operating leases.

(i) Measurement and recognition

AASB 16 primarily impacts the Group's accounting for operating leases relating to commercial office premises, retail properties and motor vehicles. The Group's leases are typically for fixed periods between 3 to 10 years and may include extension options. Lease terms are negotiated on an individual lease basis and contain a wide range of different terms and conditions. None of the Group's lease agreements impose any covenants, however leased assets may not be used as security for borrowing purposes.

Payments made under operating leases, less any incentives received from the lessor, were previously charged to the profit or loss statement on a straight line basis over the period of the lease pursuant to the requirements of AASB 117. In applying AASB 16, a right of use asset representing the right to use the underlying asset and a corresponding lease liability representing the obligation to make lease payments are recognised at the date at which the leased asset is available for use by the Group.

The right of use asset is measured at cost, comprising the following:

- initial measurement of the lease liability;
- lease payments made in advance of the lease commencement date less any incentives received;
- initial direct costs; and
- estimate of any costs to dismantle and remove the asset at the end of the lease.

The Group depreciates the right of use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Group also assesses the right of use assets for impairment when such indicators exist.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease where that rate is readily available or using the Group's incremental borrowing rate for the respective period the lease was entered.

Lease payments included in the measurement of the lease liability consist:

- fixed payments less any incentives receivable;
- variable payments based on an index or rate;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest incurred. The liability is remeasured to reflect any reassessment or modification, or if there are changes relating to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is made to the value of the right of use asset, or the profit and loss statement if the right of use asset is already reduced to zero.

On initial recognition of the right of use asset and the lease liability, a corresponding deferred tax asset and deferred tax liability are recognised to reflect the temporary differences that arise.

Under AASB 16, the Group's accounting policy as a lessor has not changed from the comparative period. As a lessor, the Group continues to classify and record its leases as either operating or finance leases. A lease is classified as a finance lease if the arrangement transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not. The Group currently has not entered any finance leases.

The financial impact of applying AASB 16 under the full retrospective method on the comparative consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows, and the consolidated statement of financial position at 1 July 2018 and 30 June 2019, is outlined in note 2(b): transitional financial statement impacts.

(ii) Key judgements

Definition of lease

The definition of a lease has been applied pursuant to AASB 117 and Interpretation 4 to contracts entered into or modified before 1 July 2018.

The Group has determined that the new definition in AASB 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on risks and rewards as outlined in AASB 117 and Interpretation 4.

Short term and low value leases

The Group has elected to apply the recognition exemptions to short term leases and leases of low value assets available under AASB 16. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term. Short term leases are leases with a lease term of 12 months or less. Low value assets comprise small items of office and information technology related equipment.

Extension and termination options

Extension and termination options are included in a number of the Group's property leases. In determining the lease term, which forms part of the initial measurement of the right of use asset and lease liability, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Due to the Group's continual focus on cost reduction and efficiency initiatives, the Group has determined in most cases where applicable, that it is not reasonably certain that options to extend or terminate those leases would be exercised.

(b) Transitional financial statement impacts

The Group has adopted AASB 16 under the full retrospective approach, where comparatives have been restated. There is no significant financial impact on net assets and profit after tax in the current half year arising from the adoption of the new standard.

The opening consolidated statement of financial position at 1 July 2018 has been restated, as well as the applicable comparative periods of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows. Line items that were not affected by the changes have not been presented in statement of cash flows extract set out in parts (v) and (vi). As a result, the sub-totals and totals disclosed in respect of the statement of cash flows extract cannot be recalculated from the numbers provided.

(i) Consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2018

	31 Dec 2018 Reported $'000	AASB 16 Adjustments $'000	31 Dec 2018 Restated $'000
REVENUE	**182,197**	**-**	**182,197**
Employee benefits expenses	(68,106)	-	(68,106)
Advertising and marketing expenses	(18,205)	-	(18,205)
Selling expenses	(26,620)	-	(26,620)
Communication and technology expenses	(10,736)	-	(10,736)
Occupancy expenses	(5,909)	4,185	(1,724)
Operating expenses	(11,615)	32	(11,583)
Profit on disposal of investments	20	-	20
Share of profit of associates accounted for using the equity method	987	-	987
Depreciation and amortisation expense	(9,458)	(3,967)	(13,425)
Finance expense	(1,025)	(446)	(1,471)
PROFIT BEFORE INCOME TAX EXPENSE	**31,530**	**(196)**	**31,334**
Income tax expense	(9,606)	65	(9,541)
PROFIT AFTER INCOME TAX EXPENSE FOR THE HALF YEAR	**21,924**	**(131)**	**21,793**
PROFIT FOR THE HALF YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest	20	(1)	19
Owners of Helloworld Travel Limited	21,904	(130)	21,774
	21,924	**(131)**	**21,793**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedges	(663)	-	(663)
Income tax benefit/(expense) on cash flow hedges	193	-	193
Exchange differences on translation of foreign operations	1,637	(32)	1,605
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE HALF YEAR, NET OF TAX	**1,167**	**(32)**	**1,135**
TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR	**23,091**	**(163)**	**22,928**
TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest	20	(1)	19
Owners of Helloworld Travel Limited	23,071	(162)	22,909
	23,091	**(163)**	**22,928**
	Cents	Cents	Cents
Basic earnings per share	**18.2**	**(0.1)**	**18.1**
Diluted earnings per share	**18.1**	**(0.1)**	**18.0**

(ii) Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	30 Jun 2019 Reported $'000	AASB 16 Adjustments $'000	30 Jun 2019 Restated $'000
REVENUE	**357,562**	**-**	**357,562**
Employee benefits expenses	(139,390)	-	(139,390)
Advertising and marketing expenses	(35,696)	-	(35,696)
Selling expenses	(50,543)	-	(50,543)
Communication and technology expenses	(20,479)	-	(20,479)
Occupancy expenses	(12,902)	8,654	(4,248)
Operating expenses	(24,673)	66	(24,607)
Profit on disposal of investments	2,013	-	2,013
Share of profit of associates accounted for using the equity method	1,437	-	1,437
Depreciation and amortisation expense	(20,420)	(7,923)	(28,343)
Finance expense	(2,421)	(933)	(3,354)
PROFIT BEFORE INCOME TAX EXPENSE	**54,488**	**(136)**	**54,352**
Income tax expense	(16,334)	25	(16,309)
PROFIT AFTER INCOME TAX EXPENSE FOR THE YEAR	**38,154**	**(111)**	**38,043**
PROFIT FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest	38	(3)	35
Owners of Helloworld Travel Limited	38,116	(108)	38,008
	38,154	**(111)**	**38,043**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedges	(759)	-	(759)
Income tax benefit/(expense) on cash flow hedges	214	-	214
Exchange differences on translation of foreign operations	1,888	(28)	1,860
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**1,343**	**(28)**	**1,315**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**39,497**	**(139)**	**39,358**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest	38	(3)	35
Owners of Helloworld Travel Limited	39,459	(136)	39,323
	39,497	**(139)**	**39,358**
	Cents	Cents	Cents
Basic earnings per share	**31.5**	**(0.1)**	**31.4**
Diluted earnings per share	**30.9**	**(0.1)**	**30.8**

(iii) Consolidated statement of financial position at 1 July 2018

	30 Jun 2018 Reported $'000	AASB 16 Adjustment $'000	1 Jul 2018 Restated $'000
CURRENT ASSETS			
Cash and cash equivalents	203,528	-	203,528
Trade and other receivables	81,273	(758)	80,515
Accrued revenue	48,361	-	48,361
Inventories	524	-	524
Derivative financial instruments	1,471	-	1,471
TOTAL CURRENT ASSETS	**335,157**	**(758)**	**334,399**
NON-CURRENT ASSETS			
Trade and other receivables	2,489	-	2,489
Investments accounted for using the equity method	17,546	-	17,546
Investment properties	175	-	175
Property, plant and equipment	14,143	(279)	13,864
Right of use assets	-	21,222	21,222
Intangible assets	327,225	-	327,225
Deferred tax assets	1,957	209	2,166
TOTAL NON-CURRENT ASSETS	**363,535**	**21,152**	**384,687**
TOTAL ASSETS	**698,692**	**20,394**	**719,086**
CURRENT LIABILITIES			
Trade and other payables	196,158	(107)	196,051
Lease liabilities	-	9,898	9,898
Provisions	14,251	(903)	13,348
Deferred revenue	97,760	-	97,760
Income tax payable	8,124	-	8,124
Other current liabilities	807	(807)	-
TOTAL CURRENT LIABILITIES	**317,100**	**8,081**	**325,181**
NON-CURRENT LIABILITIES			
Borrowings	41,465	-	41,465
Lease liabilities	-	14,476	14,476
Deferred tax liabilities	37,128	(301)	36,827
Provisions	3,154	(127)	3,027
Other non-current liabilities	8,514	(995)	7,519
TOTAL NON-CURRENT LIABILITIES	**90,261**	**13,053**	**103,314**
TOTAL LIABILITIES	**407,361**	**21,134**	**428,495**
NET ASSETS	**291,331**	**(740)**	**290,591**
EQUITY			
Issued capital	408,495	-	408,495
Reserves	1,716	-	1,716
Accumulated losses	(120,338)	(736)	(121,074)
EQUITY ATTRIBUTABLE TO THE OWNERS OF HELLOWORLD TRAVEL LIMITED	**289,873**	**(736)**	**289,137**
Non-controlling interest	1,458	(4)	1,454
TOTAL EQUITY	**291,331**	**(740)**	**290,591**

(iv) Consolidated statement of financial position at 30 June 2019

	30 Jun 2019 Reported $'000	AASB 16 Adjustment $'000	30 Jun 2019 Restated $'000
CURRENT ASSETS			
Cash and cash equivalents	204,755	-	204,755
Trade and other receivables	97,605	(464)	97,141
Accrued revenue	66,681	-	66,681
Inventories	471	-	471
Derivative financial instruments	368	-	368
TOTAL CURRENT ASSETS	**369,880**	**(464)**	**369,416**
NON-CURRENT ASSETS			
Trade and other receivables	5,939	-	5,939
Investments accounted for using the equity method	17,109	-	17,109
Property, plant and equipment	18,267	(659)	17,608
Right of use assets	-	24,529	24,529
Intangible assets	338,344	102	338,446
Deferred tax assets	768	48	816
TOTAL NON-CURRENT ASSETS	**380,427**	**24,020**	**404,447**
TOTAL ASSETS	**750,307**	**23,556**	**773,863**
CURRENT LIABILITIES			
Trade and other payables	210,983	(39)	210,944
Lease liabilities	-	8,509	8,509
Provisions	15,451	171	15,622
Deferred revenue	96,939	-	96,939
Income tax payable	478	-	478
Other current liabilities	483	(483)	-
TOTAL CURRENT LIABILITIES	**324,334**	**8,158**	**332,492**
NON-CURRENT LIABILITIES			
Borrowings	56,428	-	56,428
Lease liabilities	-	19,986	19,986
Deferred tax liabilities	45,206	(542)	44,664
Provisions	3,352	(348)	3,004
Other non-current liabilities	7,970	(2,819)	5,151
TOTAL NON-CURRENT LIABILITIES	**112,956**	**16,277**	**129,233**
TOTAL LIABILITIES	**437,290**	**24,435**	**461,725**
NET ASSETS	**313,017**	**(879)**	**312,138**
EQUITY			
Issued capital	416,219	-	416,219
Reserves	721	(28)	693
Accumulated losses	(105,411)	(844)	(106,255)
EQUITY ATTRIBUTABLE TO THE OWNERS OF HELLOWORLD TRAVEL LIMITED	**311,529**	**(872)**	**310,657**
Non-controlling interest	1,488	(7)	1,481
TOTAL EQUITY	**313,017**	**(879)**	**312,138**

(v) Consolidated statement of cash flows for the half year ended 31 December 2018 (extract)

	31 Dec 2018 Reported $'000	AASB 16 Adjustment $'000	31 Dec 2018 Restated $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)	(1,596,309)	5,039	(1,591,270)
Finance costs paid	(944)	(446)	(1,390)
NET CASH USED IN OPERATING ACTIVITIES	**(54,562)**	**4,593**	**(49,969)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments	-	(4,593)	(4,593)
NET CASH USED IN FINANCING ACTIVITIES	**(1,813)**	**(4,593)**	**(6,406)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(74,660)**	**-**	**(74,660)**

(vi) Consolidated statement of cash flows for the year ended 30 June 2019 (extract)

	30 Jun 2019 Reported $'000	AASB 16 Adjustment $'000	30 Jun 2019 Restated $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)	(3,330,740)	10,173	(3,320,567)
Finance costs paid	(2,244)	(933)	(3,177)
NET CASH USED IN OPERATING ACTIVITIES	**40,460**	**9,240**	**49,700**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments	-	(9,240)	(9,240)
NET CASH USED IN FINANCING ACTIVITIES	**(10,376)**	**(9,240)**	**(19,616)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(199)**	**-**	**(199)**

3. Revenue

	CONSOLIDATED	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Commissions	142,027	132,594
Transaction and services fees	25,883	21,458
Marketing related activities	19,024	19,371
Other revenue from contracts with customers	10,689	5,855
REVENUE FROM CONTRACTS WITH CUSTOMERS	**197,623**	**179,278**
Rents and sublease rentals	304	283
Finance income	1,450	1,681
Sundry income	666	955
OTHER REVENUE	**2,420**	**2,919**
REVENUE	**200,043**	**182,197**

4. Expenses

	CONSOLIDATED 31 Dec 2019 $'000	 31 Dec 2018 Restated $'000
PROFIT BEFORE INCOME TAX EXPENSE INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
Defined contribution superannuation expense	(5,131)	(4,582)
LTIP expense	(179)	(454)
Employee share plan expense (note 10)	(671)	-
Other employee benefits expense including salaries	(67,953)	(63,070)
TOTAL EMPLOYEE BENEFITS EXPENSE	**(73,934)**	**(68,106)**
Depreciation of property, plant and equipment	(2,865)	(2,252)
Depreciation of right of use assets	(4,417)	(3,967)
Amortisation of intangible assets	(8,921)	(7,206)
TOTAL DEPRECIATION AND AMORTISATION	**(16,203)**	**(13,425)**
Finance expense on borrowings	(1,521)	(1,025)
Interest expense on lease liabilities	(560)	(446)
TOTAL FINANCE EXPENSE	**(2,081)**	**(1,471)**
Profit on disposal of investments	-	20
Franchise loyalty plan expense	(7)	(536)
Business acquisition related expenses (note 13)	(1,198)	-
Payments relating to Tempo Holidays and Bentours collapse (i)	(640)	-

(i) Represents discretionary amounts paid to the Group's retail agents impacted by the collapse of Tempo Holidays and Bentours during the current half year.

5. Operating segments

(a) Description of segments

The reporting structure is based on a geographical basis of where the Group's businesses are managed. Internal reports reviewed and used by the Chief Executive Officer and the Board (the Chief Operating Decision Makers or CODMs) in assessing performance and making strategic decisions are prepared on this basis.

The Group has the following three segments:

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

Australia and New Zealand segments each have retail distribution operations, air ticketing, wholesale & inbound, and travel management businesses. Australia and New Zealand also contain corporate support units performing shared service functions, which are fully allocated to all segments and are reported within segment expenses. The Rest of World segment consists of the wholesale business of Qantas Vacations in North America, an inbound travel business in Fiji, and Tourist Transport Fiji (TTF), being a vehicle transport service provider in Fiji.

(b) Segment information provided to the CODMs

The CODMs assess the performance of the operating segments based on a financial measure of Underlying EBITDA, which is not a measure prescribed by Australian Accounting Standards. Underlying EBITDA represents earnings before interest expense, tax, depreciation and amortisation, adjusted to:

- include depreciation on right of use assets and interest expense on lease liabilities arising from the application of the new lease accounting standard; and

- exclude large non-recurring items. In the current half year, this reflects business acquisition related expenses and discretionary amounts paid to the Group's retail agents impacted by the collapse of Tempo Holidays and Bentours.

Interest income on client funds is included within segment revenue and underlying EBITDA. Underlying EBITDA is reconciled to profit before income tax expense in section (c) of this note.

Segment results for the Group are shown below:

CONSOLIDATED	Australia $'000	New Zealand $'000	Rest of World $'000	Total $'000
HALF YEAR ENDED 31 DECEMBER 2019				
Commissions	114,111	25,010	2,906	**142,027**
Transaction and service fees	23,392	2,401	90	**25,883**
Marketing related activities	14,633	4,245	146	**19,024**
Other revenue from contracts with customers	8,397	367	1,925	**10,689**
REVENUE FROM CONTRACTS WITH CUSTOMERS	**160,533**	**32,023**	**5,067**	**197,623**
Other revenue	1,999	268	153	**2,420**
SEGMENT REVENUE	**162,532**	**32,291**	**5,220**	**200,043**
Segment expenses (i)	(117,093)	(25,620)	(5,135)	**(147,848)**
Depreciation of right of use assets	(3,503)	(594)	(320)	**(4,417)**
Interest expense on lease liabilities	(467)	(74)	(19)	**(560)**
Equity accounted profits	806	-	-	**806**
UNDERLYING EBITDA	**42,275**	**6,003**	**(254)**	**48,024**

CONSOLIDATED	Australia $'000	New Zealand $'000	Rest of World $'000	Total $'000
HALF YEAR ENDED 31 DECEMBER 2018 RESTATED				
Commissions	106,134	20,659	5,801	**132,594**
Transaction and service fees	18,631	2,620	207	**21,458**
Marketing related activities	14,493	4,399	479	**19,371**
Other revenue from contracts with customers	3,677	273	1,905	**5,855**
REVENUE FROM CONTRACTS WITH CUSTOMERS	**142,935**	**27,951**	**8,392**	**179,278**
Other revenue	2,514	337	68	**2,919**
SEGMENT REVENUE	**145,449**	**28,288**	**8,460**	**182,197**
Segment expenses (i)	(106,220)	(22,367)	(8,367)	**(136,954)**
Depreciation of right of use assets	(2,962)	(624)	(381)	**(3,967)**
Interest expense on lease liabilities	(310)	(99)	(37)	**(446)**
Equity accounted profits	987	-	-	**987**
UNDERLYING EBITDA	**36,944**	**5,198**	**(325)**	**41,817**

(i) Segment expenses are expenses incurred in the ordinary course of business to support segment revenue and exclude:

a. depreciation and amortisation
b. finance expense
c. business acquisition related expenses; and
d. payments relating to Tempo Holidays and Bentours collapse

(c) Other segment information

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

	CONSOLIDATED	
	31 Dec 2019 $'000	31 Dec 2018 Restated $'000
UNDERLYING EBITDA	**48,024**	**41,817**
Business acquisition related expenses	(1,198)	-
Payments relating to Tempo Holidays and Bentours collapse	(640)	-
Depreciation of property, plant and equipment	(2,865)	(2,252)
Amortisation of intangible assets	(8,921)	(7,206)
Finance expense on borrowings	(1,521)	(1,025)
PROFIT BEFORE INCOME TAX EXPENSE	**32,879**	**31,334**

6. Dividends paid and proposed

The amount of dividends paid during the half year are:

	CONSOLIDATED	
	31 Dec 2019 $'000	31 Dec 2018 $'000
DIVIDENDS PAID DURING THE FINANCIAL HALF YEAR:		
Final prior year dividend of 12.5 cents per share (2018: 11 cents per share), distributed on 17 September 2019 (2018: 18 September 2018)	15,590	13,696
Final prior year dividends associated with LTIP	(298)	(270)
DIVIDENDS PAID PER STATEMENT OF CASH FLOWS	**15,292**	**13,426**

All dividends paid or declared during the current period are fully franked.

On 24 February 2020, the Group declared a 9.0 cents (2018: 8.0 cents) per share fully franked interim dividend. The dividend is to be paid on 19 March 2020, with a record date of 4 March 2020. The interim dividend is expected to amount to $11.2 million (2018: $10.0 million) based on the closing number of issued shares at 31 December 2019 of 124,720,842. The dividend will be paid out of the current year profits, but is not recognised as a liability at 31 December 2019. The 9.0 cent dividend represents a payout ratio to owners of Helloworld Travel Limited of 50.0% (2018: 45.8%).

7. Earnings per share

(a) Basic and diluted earnings per share (EPS)

	CONSOLIDATED	
	31 Dec 2019 cents	31 Dec 2018 Restated cents
Basic EPS attributable to the ordinary equity holders of the Company	18.2	18.1
Diluted EPS attributable to the ordinary equity holders of the Company	18.2	18.0

(b) Reconciliation of earnings used in calculating EPS

	CONSOLIDATED 31 Dec 2019 $'000	31 Dec 2018 Restated $'000
Profit after income tax expense	22,678	21,793
Adjusted for profit attributable to the non-controlling interest	(207)	(19)
NET PROFIT FOR THE HALF YEAR USED IN CALCULATING EPS	**22,471**	**21,774**

(c) Weighted average number of shares (WANOS)

	CONSOLIDATED 31 Dec 2019 Number of shares	31 Dec 2018 Number of shares
WANOS USED IN CALCULATING BASIC EPS	**123,653,490**	**120,533,041**
Adjustment for shares issued under franchise loyalty plan	5,054	483,187
WANOS USED IN CALCULATING DILUTED EPS	**123,658,544**	**121,016,228**

Shares issued under the franchise loyalty plan and the LTIP prior to vesting conditions being met are excluded from basic EPS due to the terms and conditions attached to these shares.

The franchise loyalty shares prior to vesting date during the current half year were included in diluted EPS, reflecting the forward non-market vesting conditions and the nil consideration paid on the issue of the shares. At 30 June 2019, 30,000 shares issued under the franchise loyalty plan had not vested and were subject to future non-market conditions. These shares subsequently vested on 31 July 2019, with no further shares remaining under the franchise loyalty plan at 31 December 2019.

The LTIP shares prior to vesting date are excluded from diluted EPS, until the forward market vesting conditions attached to these shares have been met. For the half year ended 31 December 2019, Helloworld Travel has a weighted average number of potential ordinary shares relating to the LTIP of 1,061,957 (2018: 3,491,848) which have been excluded from diluted EPS. On 1 July 2019, 2,200,000 shares vested in relation to the LTIP share allocation granted on 1 July 2016. At 31 December 2019, there are 1,050,000 (30 June 2019: 3,250,000) shares issued under the LTIP that have that have not yet vested and are subject to future performance criteria.

8. Cash and cash equivalents

	CONSOLIDATED 31 Dec 2019 $'000	30 Jun 2019 $'000	31 Dec 2018 $'000
Cash at bank and on hand	77,739	74,713	73,068
Restricted cash at bank – IATA (i)	60,256	130,042	57,055
Cash relating to the TravelEdge acquisition (ii)	4,000	-	-
CASH AND CASH EQUIVALENTS	**141,995**	**204,755**	**130,123**

(i) Restricted cash at bank - IATA

Restricted cash balance relates to cash held within legal entities of the Group that have local International Air Transport Association (IATA) requirements as part of providing ticketing travel arrangements. Restricted cash also include monies paid to the Group by customers prior to being paid to product and service suppliers.

(ii) Cash relating to the TravelEdge acquisition

Cash balance relates to amounts borrowed to fund the TravelEdge acquisition. Payment is subject to satisfaction of certain conditions.

9. Borrowings

	CONSOLIDATED	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Secured bank loans	91,000	57,000
Deferred borrowings costs	(573)	(572)
NON-CURRENT BORROWINGS	**90,427**	**56,428**

The Group has secured financing arrangements with the Westpac Banking Corporation (Westpac) of $120.0 million (June 2019: $90.0 million) as outlined below:

		CONSOLIDATED	
	Expiry Date	31 Dec 2019 $'000	30 Jun 2019 $'000
Secured bank loan – multi currency	May 2022	40,000	40,000
Secured multi-option revolving credit facility	May 2022	30,000	30,000
Secured bank loan facility – AUD	April 2021	20,000	20,000
Secured bank loan facility – TravelEdge acquisition (i)	September 2021	30,000	-
TOTAL FACILITIES		**120,000**	**90,000**
Secured bank loan – multi currency		39,500	39,500
Secured multi-option revolving credit facility		28,732	29,517
Secured bank loan facility – AUD		6,863	-
Secured bank loan facility – TravelEdge acquisition (i)		29,000	-
USED AT THE REPORTING DATE (ii)		**104,095**	**69,017**
Secured bank loan – multi currency		500	500
Secured multi-option revolving credit facility		1,268	483
Secured bank loan facility – AUD		13,137	20,000
Secured bank loan facility – TravelEdge acquisition (i)		1,000	-
UNUSED AT THE REPORTING DATE		**15,905**	**20,983**

(i) Secured bank loan facility – TravelEdge acquisition

On 25 September 2019, Helloworld Travel entered into a new two year $30.0 million bank loan facility utilised during the current half year for the acquisition of TravelEdge. As at 31 December 2019, $29.0 million of the facility had been drawn down, with $22.6 million paid as cash consideration for the acquisition of TravelEdge; $4.0 million has been retained by the Group pending satisfaction of certain conditions (refer note 8); and the remainder applied to maintain seasonal working capital requirements. Refer note 13: business acquisitions for details of the acquisition. This facility expires in September 2021.

(ii) Bank guarantees and letters of credit

Facilities used at 31 December 2019 of $104.1 million includes bank guarantees and letters of credit on issue totalling $13.1 million (June 2019: $12.0 million).

The Group also has a cash backed bank guarantee held with the Commonwealth Bank of Australia, totalling $0.5 million relating to TravelEdge. During the current half year, there have been no breaches of the Westpac debt covenants. The new lease accounting standard, AASB16: Leases, has had no impact on the measurement of the debt covenants established by Westpac.

10. Issued capital

(a) Shares on issue

	31 Dec 2019 Number of shares	30 Jun 2019 Number of shares	31 Dec 2019 $'000	30 Jun 2019 $'000
Issued capital – fully paid	123,670,842	121,378,076	419,494	416,346
Issued capital – issued, but not vested (i)	1,050,000	3,280,000	(28)	(127)
ISSUED CAPITAL	**124,720,842**	**124,658,076**	**419,466**	**416,219**

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

(i) Issued capital – issued, but not vested

Issued, but not vested capital relates to shares that have been issued under the LTIP and the franchise loyalty plan which have not yet met their future vesting conditions.

(b) Movements in shares on issue

CONSOLIDATED	Date	Number of Shares	$'000
BALANCE	**1 July 2019**	**124,658,076**	**416,219**
Sales of forfeited shares (i)	1 July 2019	-	669
Issue of new shares (i)	1 July 2019	62,766	280
Acquisition of shares (ii)	16 December 2019	-	(671)
Issue of shares to employees (ii)	17 December 2019	-	671
Proceeds on repayment of LTIP related loans (iii)	31 December 2019	-	2,301
Costs associated with capital raising		-	(3)
BALANCE	**31 December 2019**	**124,720,842**	**419,466**

(i) Sale of forfeited shares

During the prior year, 150,000 shares relating to the LTIP did not meet vesting conditions and were relinquished by the participants. On 1 July 2019, these shares along with a further 62,766 new shares were provided as part of the purchase consideration for agreements entered into in New Zealand for the distribution of travel products as part of the Group's distribution expansion.

(ii) New omnibus incentive plan

At the Helloworld Travel Annual General Meeting held on 14 November 2019, the Group's shareholders voted for the adoption of the Helloworld Travel Limited Omnibus Incentive Plan (the Plan). Under the Plan, the Group can reward and incentivise employees, directors (including both executive and non-executive directors), contractors and consultants by offering shares, performance rights or options. Any financial instruments granted under the Plan are held via an employee share trust (the Trust) established with Perpetual Corporate Trust Limited.

On 16 December 2019, 146,932 shares were purchased under the Plan at a cost of $4.57 per share, amounting to $671,479, which has been recorded as a share based payment expense in the current half year. These shares have been granted to employees that have met eligibility criteria, up to the value of $1,000 per employee. These shares are held by the Trust and will be transferred to the employees upon the earlier of resignation or completion of three years of service from grant date.

(iii) Proceeds on repayment of LTIP related loans

On 1 July 2019, 2,200,000 loan funded LTIP shares granted on 1 July 2016 met their vesting conditions as determined by the Board, based on meeting Total Shareholder Returns (TSR) and individual Key Performance Indicator (KPI) targets over the three year vesting period. Associated loan repayments totalling $2.3m were received and have been recorded as issued capital. At 31 December 2019, there are 1,050,000 (30 June 2019: 3,250,000) LTIP shares that have not yet vested and are subject to future performance criteria.

11. Reserves

	CONSOLIDATED	
	31 Dec 2019 $'000	30 Jun 2019 Restated $'000
Foreign currency translation reserve	4,456	4,477
Hedging reserve	483	1,094
Share based payments reserve	2,509	2,322
Redemption reserve	(7,200)	(7,200)
RESERVES	**248**	**693**

12. Accumulated losses

	CONSOLIDATED	
	Half year 31 Dec 2019 $'000	Full year 30 Jun 2019 Restated $'000
ACCUMULATED LOSSES AT THE BEGINNING OF THE FINANCIAL YEAR	**(106,255)**	**(121,074)**
Profit after income tax expense attributable to the owners of Helloworld Travel Limited	22,471	38,008
Dividends	(15,590)	(23,657)
Dividends associated with LTIP	298	468
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL PERIOD	**(99,076)**	**(106,255)**

13. Business acquisitions

(a) Acquisition of the TravelEdge Group

(i) Summary of acquisition

On 1 October 2019, Helloworld Travel acquired 100% of the TravelEdge Group, one of Australia's largest privately owned corporate travel management companies. TravelEdge operates through six divisions, providing corporate travel management solutions, academic travel services, event and group planning and delivery, holiday and leisure services and travel prizing and incentives. The acquisition will allow Helloworld Travel to expand in the corporate and education travel sectors, while complementing existing corporate operations in Australia and New Zealand with additional expertise and knowledge.

Details of the purchase consideration, net assets acquired and goodwill of TravelEdge are as follows:

	$'000
Purchase price	24,000
Completion adjustments	(1,413)
PURCHASE CONSIDERATION	**22,587**

The provisional assets and liabilities recognised from the TravelEdge acquisition are as follows:

	$'000
Cash and cash equivalents	2,262
Trade and other receivables	5,082
Accrued revenue	4,943
Property, plant and equipment	195
Right of use asset	2,968
Intangible assets - software	232
Deferred tax assets	387
Trade and other payables	(12,061)
Provisions	(1,349)
Lease liability	(2,888)
Deferred revenue	(1,680)
Income tax payable	(149)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	**(2,058)**
Goodwill resulting from the acquisition	24,645
FAIR VALUE OF NET ASSETS ACQUIRED	**22,587**

The assets and liabilities of TravelEdge acquired by Helloworld Travel are recorded at fair value for accounting purposes, resulting in goodwill of $24.6 million. The acquisition accounting was provisionally determined at 31 December 2019 and subsequent adjustments may arise within 12 months of the acquisition date, including finalisation of the fair value of the net assets acquired, the allocation of the purchase price to the separate identifiable intangible assets and the impact of tax finalisation. No deferred consideration has been recognised at 31 December 2019.

The provisional goodwill acquired primarily represents processes and technical knowledge acquired, the enlarged product and service offering that Helloworld Travel can now provide to its customers, future synergy opportunities, the experience of TravelEdge's management and the future profitability of the business and the acquired customers. The provisional goodwill has been allocated to the Australia travel management cash generating unit and is not deductible for tax purposes.

(ii) Purchase consideration – cash outflow

	$'000
Purchase consideration	(22,587)
Cash and cash equivalents acquired from business	2,262
NET OUTFLOW OF CASH – INVESTING ACTIVITIES	**(20,325)**

(iii) Revenue and profit before income tax expense contribution

From the date of the acquisition, 1 October 2019 to 31 December 2019, and excluding acquisition costs of $1.2 million, TravelEdge contributed revenue of $3.9 million and net profit before income tax expense of $0.2 million to the Group's results.

If the date of acquisition had been 1 July 2019, the Group revenue and net profit before income tax expense for the period ended 31 December 2019 would have been $208.6 million and $32.7 million respectively. These results were based on the aggregation of TravelEdge's pre-acquisition and Helloworld Travel's post acquisition results, excluding one-off vendor related sale costs and Group acquisition costs.

The integration of TravelEdge is expected to deliver cost efficiency and productivity benefits in the second half of FY20 and future financial years. In addition, future earnings are expected to benefit from improved contracting outcomes and the full year impact of new customers that were secured during the first half of the financial year.

(iv) Acquisition related costs

Acquisition related costs of $1.2 million were incurred in the acquisition and are included in operating expenses in the consolidated statement of profit or loss and other comprehensive income and in operating cash flows in the consolidated statement of cash flows.

(b) Update on business acquisitions undertaken in the year ended 30 June 2019

During the current period, Helloworld Travel finalised the acquisition accounting relating to the Show Group business (Show Group). There were no significant updates made to the acquisition accounting relating to Williment Travel Group Limited (Williment Travel). Helloworld has 12 months from the date of acquisition to finalise the acquisition accounting in accordance with applicable accounting standards.

Acquisition of the Show Group business

On 20 December 2018, Helloworld Travel acquired 100% of the Show Group business for a total consideration of $7.0 million. Show Group is a leading travel management specialist and freight logistics organisation servicing the entertainment, film, arts, fashion, corporate and sporting industries.

The final assets and liabilities recognised from the Show Group acquisition are as follows:

	Provisional at 30 June 2019 $'000	Adjustments $'000	Final at 31 December 2019 $'000
Cash and cash equivalents	937	-	937
Trade and other receivables	5,714	(70)	5,644
Accrued revenue	650	-	650
Property, plant and equipment	893	-	893
Right of use asset	-	403	403
Intangible assets – software	120	-	120
Intangible assets – brand	-	857	857
Intangible assets – customer bases	-	1,506	1,506
Deferred tax assets	417	65	482
Trade and other payables	(5,197)	-	(5,197)
Provisions	(1,365)	(176)	(1,541)
Lease liability	-	(374)	(374)
Deferred revenue	(740)	(74)	(814)
Deferred tax liability	-	(709)	(709)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	**1,429**	**1,428**	**2,857**
Goodwill resulting from the acquisition	5,571	(1,428)	4,143
FAIR VALUE OF NET ASSETS ACQUIRED	**7,000**	**-**	**7,000**

During the current period, Helloworld Travel finalised the acquisition accounting primarily to reflect the identification and measurement of separate intangible assets of brand names and customer bases, which were separated out of provisional goodwill. Brand names of $0.9 million represents the value attributable on acquisition to the benefits associated with having a recognisable brand name and is amortised over a useful life of 20 years. Customer bases of $1.5 million represents the value attributable on acquisition to Show Group's unique customer relationships and is amortised over a useful life of 8 years.

The assets and liabilities of Show Group acquired by Helloworld Travel are recorded at fair value for accounting purposes, resulting in goodwill of $4.1 million. The goodwill acquired primarily represents systems, processes and technical knowledge acquired, the enlarged product and service offering that Helloworld Travel can now provide to its customers, future synergy opportunities, the experience of the Show Group's management and the future profitability of the business from exposure to a new market. It will not be deductible for tax purposes. The goodwill has been allocated to the Australia travel management cash generating unit.

14. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years except for the following item:

(a) Dividends

On 24 February 2020, the Group declared a 9.0 cents per share fully franked interim dividend. The dividend is to be paid on 19 March 2020, with a record date of 4 March 2020. The interim dividend is expected to amount to $11.2 million based on the closing number of issued shares at 31 December 2019 of 124,720,842. The dividend will be paid out of the current year profits, but is not recognised as a liability at 31 December 2019.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) The consolidated financial statements and notes that are set out on pages 8 to 29 are in accordance with the Corporations Act 2001, including;

(i) giving a true and fair view of the Group's financial position at 31 December 2019 and of its performance for the half year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), other mandatory professional reporting requirements and the *Corporations Regulations 2001*; and

(b) There are reasonable grounds to believe that Helloworld Travel Limited and its controlled entities will be able to repay its debts as and when they become due and payable.

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

Garry Hounsell

Chairman
Helloworld Travel Limited
Melbourne, 24 February 2020

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Helloworld Travel Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

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 gives a true and fair view and 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 Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Helloworld Travel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
24 February 2020