24 February 2021

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 2020

Further to the Company's announcement to the market today on the financial results for the half year ended 31 December 2020, please find attached the Financial Report.

Yours faithfully,

David Hall
Chief Financial Officer
Helloworld Travel Limited
Ph: +61 3 9867 9600

Authorised for release by Helloworld Travel Limited's Board of Directors.

HELLOWORLD TRAVEL LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2020

ABN: 60 091 214 998
ASX CODE: HLO

CONSOLIDATED INTERIM FINANCIAL REPORT
HALF YEAR ENDED 31 DECEMBER 2020

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 2020 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 AO (Chief Executive Officer and Managing Director)
- Cinzia Burnes
- Mike Ferraro
- Andrew Finch

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 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 businesses (domestic and international) corporate TMC (Travel Management Company) and Accommodation management operations and online operations.

Helloworld's retail distribution operations include Helloworld Travel, Australia and New Zealand's largest network of branded and co-branded franchised travel agents, Magellan Travel, Helloworld Business Travel, the My Travel Group, NZ Travel Brokers and our 50% investment in MTA (Mobile Travel Agents).

Helloworld Travel's corporate operations includes QBT, AOT Hotels, TravelEdge, Show Travel and APX in New Zealand. Helloworld's wholesale travel businesses include Viva Holidays, Sunlover Holidays, Ready Rooms, Seven Oceans Cruises, CruiseCo and Go Holidays and Williments Travel in New Zealand.

Helloworld's inbound operations include AOT, ATS Pacific and ETA while our transport businesses include TTF Fiji and Show Freight, a division of Show Travel.

Helloworld Travel's main business operations are located in Australia, New Zealand and Fiji.

Review of operations

Overview of results

Helloworld Travel's key financial results for the half year ended 31 December 2020 compared with the prior corresponding period for the half year ended 31 December 2019 are summarised below.

	1H21 $000's	1H20 $000's	Change $000's	Change %
Total Transaction Value (TTV) (i)	432,940	3,559,888	(3,126,948)	(87.8%)
Revenue	29,578	200,043	(170,465)	(85.2%)
Revenue margin	*6.8%*	*5.6%*	1.2%	*21.4%*
Underlying EBITDA (ii)	(6,507)	48,619	(55,126)	(113.4%)
Underlying EBITDA margin	*(21.9%)*	*24.3%*	(46.2%)	*(190.0%)*
Profit/(Loss) before income tax expense	(21,542)	32,879	(54,421)	(165.5%)
Profit/(Loss) after income tax expense	(15,131)	22,678	(37,809)	(166.7%)

(i) TTV does not represent revenue in accordance with Australian Accounting Standards and is not subject to auditor review. 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 the 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 and make good provisions arising from the application of AASB 16 and exclude large non-recurring items (refer note 5(c) in the Half-Year Report for further information). Underlying 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 and it is not subject to auditor review.

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

TTV reduced by 87.8% to $432.9 million driven by impacts of COVID-19, namely closed international borders and a regularly changing domestic border environment. The relaxing of domestic border controls in the latter part of the half showed a notable increase in bookings, however snap changes as a result of outbreaks continues to have an impact on customer confidence.

Revenue decreased by 85.2% to $29.6 million driven by factors outlined above, in particular COVID-19.

Revenue margin of 6.8% was 1.2 ppt above the prior year, due to the introduction of non-TTV related revenue with core TTV related business impacted by COVID-19 and a tightening market across the travel and tourism industry.

Revenue margin has been calculated as revenue as a percentage of TTV. Underlying EBITDA margin has been calculated as Underlying EBITDA as a percentage of revenue.

Underlying operating costs (segment expenses including occupancy costs) were $36.1 million, $115.3 million or 76.2% below the prior corresponding period, reflecting the impacts of COVID-19, reduced operating expenses and lower labour force.

Equity accounted losses of $0.2 million compared with a $0.8 million profit in the prior year. Strategies are underway to improve performance in future periods.

Underlying EBITDA, was a loss of $6.5 million, down 113.4% or $55.1 million on the prior corresponding period. The Underlying EBITDA to revenue margin was (22.0%) compared with 24.3% in the prior half year. Other non recurring items increased by $1.6 million to $4.0 million reflecting restructuring costs during the current period. Depreciation and amortisation decreased by $2.5 million to $13.7 million due to a reduction in the acquisition of property, plant and equipment and intangible assets in the current half year. Finance expenses (excluding interest on leases) amounted to $1.5 million due to prepayment of borrowings and lower interest rates.

Net loss before tax was $21.5 million, a reduction of $54.4 million on the prior year profit of $32.9 million. The decline in revenue of $170.5 million was partially offset by significant decrease in expenses including a 70.6% reduction in employee costs, a 91.8% reduction in advertising expenses and a 99.8% reduction in selling expenses. The income tax effective rate was 29.8% in the current half year compared with the prior corresponding period of 31.0%. As a result, the after-tax loss is $15.1 million.

Helloworld Travel has been successful in keeping cash burn below $2.0 million per month in the first half and maintains a positive cash position that will ensure the Group can continue to operate at current levels beyond the next 12 months.

Shareholder returns

Basic earnings per share for the half year ended 31 December 2020 was a loss of (9.8) cents per share (2019: 18.2 cents per share). Diluted earnings per share for the half year ended 31 December 2020 was a loss of (9.8) cents per share (2019: 18.2 cents per share).

	December 2020 cents per share	December 2019 cents per share
Final prior year dividend, paid in interim period	-	12.5
Interim dividend declared	-	9.0
TOTAL DIVIDENDS DECLARED OR PAID	**-**	**21.5**

Pursuant to the Group's financing arrangements, dividends made prior to 31 December 2021 may be made with Westpac's consent.

Equity raising

In the current half year, Helloworld Travel completed a $50.0 million fully underwritten equity raise to strengthen the balance sheet and provide additional liquidity to manage the prolonged period of disruption to the global travel industry.

The $50.0 million equity raise comprised of an institutional placement and an entitlement offer ($48.2 million net of costs). It resulted in the issue of 30.3 million new fully paid ordinary shares in Helloworld Travel, representing approximately 24.3% of existing shares on issue. The shares ranked equally with existing shares on issue. The issue price of $1.65 per share represented a 16% discount to the last traded price prior to announcement of the equity raise of $1.97 on 15 July 2020.

Acquisitions

On 30 November 2020, Helloworld Travel announced the acquisition of 100% of the CruiseCo business (CruiseCo) for total consideration of $0.5 million. CruiseCo is a specialist cruise package wholesaler, enabling Helloworld Travel to expand its cruise offerings in Australia and New Zealand, complementing the existing cruise wholesale business.

From the date of acquisition, 30 November 2020 to 31 December 2020, the revenue and net profit/(loss) before income tax expense contributed by CruiseCo was immaterial to the Group's result..

On 31 October 2020, Helloworld Travel acquired an additional 60% of Inspire Travel Management (ITM) a joint venture between Helloworld Travel and In Travel Group, an indigenous travel management company, for the nominal consideration of $1.00. As a result of this acquisition, Helloworld Travel now controls 100% of ITM.

From the date of acquisition, 31 October 2020 to 31 December 2020, the revenue and net profit/(loss) before income tax expense contributed by ITM to the Group's result was immaterial.

Liquidity and funding

At 31 December 2020 the Group held a cash balance of $142.7 million (June 2020: $131.9 million, December 2019 $142.0 million) increased cash balance of $10.8 million reflects:

- a $48.2m increase in cash ($50m less costs) from the August 2020 equity raising.
- a $20.0m reduction to cash for prepayment of debt, available on call with bank consent;
- a reduction in cash of $2.1m relating to the settlement of the disposal of the U.S. Wholesale Operations;
- a reduction of $15.3m for operational and capital expenditure, including finance and interest expenses.

At 31 December 2020, the Group held external borrowings of $80.7 million (June 2020: $100.5 million, December 2019: $90.4 million) with available headroom on its debt facilities of $30.2 million (June 2020: $6.5 million, December 2019: $15.9 million).

Helloworld Travel renegotiated its debt covenants with its lender, Westpac Banking Corporation to reduce its minimum cash balance covenant to $40 million from 1 January 2021 (down from $50 million) increasing the headroom and flexibility in cashflows.

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

COVID-19 Related Retention Benefit Plan

On 18 December 2020, Helloworld Travel granted 800,000 shares under the omnibus incentive plan mechanism. The shares were issued to a number of staff, none of whom are Directors. All those personnel have been working reduced days for a sustained period since March, 2020. Shares were issued for nil consideration. The shares had already been issued under previous schemes but not vested, and now have new participants and a new non-market vesting condition of remaining an employee of Helloworld Travel through to the vesting date of 1 July, 2021.

The shares were issued for nil consideration and have the non-market condition of remaining an employee at Helloworld Travel during the vesting period. If the employee leaves Helloworld Travel prior to the vesting date, the shares allocated to the respective employee will be forfeited.

Events after the reporting period

No matter or circumstance has arisen since 31 December 2020 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:

Business Restructuring

- Since 4 January 2021, the Group has continued to restructure the business in line with management's focus on reshaping and resizing the business so that it functions at appropriate levels for the foreseeable future. As a result, head count has been reduced by 65 at a cost of $1.1 million. The charge will be reflected in the full-year statutory result for the year ending 30 June 2021.

STA Joint Venture (DOCA)

- On 16 December 2020, Helloworld entered into a Deed of Company Arrangement (DOCA) in relation to the STA Travel – Academic business, to be completed by May 2021. This was part of the STA joint venture with TravelEdge and we will take full ownership of the STA Academic business upon completion.

Auditor's independence declaration

The company's auditors have changed to Ernst and Young following the resignation of PricewaterhouseCoopers with ASIC consent.

The Directors received the declaration of independence on page 7 from Ernst and Young (EY), 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 2021

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Auditor's independence declaration to the directors of Helloworld Travel Limited

As lead auditor for the review of the half-year financial report of Helloworld Travel Limited for the half-year ended 31 December 2020, I declare 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 financial period.

Ernst & Young

Ernst & Young

Brett Croft
Partner
24 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	CONSOLIDATED 31 Dec 2020 $'000	31 Dec 2019 $'000
REVENUE	3	**29,578**	**200,043**
Employee benefits expenses	4	(21,731)	(73,934)
Advertising and marketing expenses		(1,472)	(18,022)
Selling expenses		(49)	(27,425)
Communication and technology expenses		(6,324)	(10,636)
Occupancy expenses		(1,720)	(2,035)
Operating expenses		(3,614)	(17,634)
Depreciation and amortisation expense	4	(13,747)	(16,203)
Finance expense	4	(2,004)	(2,081)
Loss on disposal of investments	4	(231)	-
Share of profit of associates accounted for using the equity method		(228)	806
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		**(21,542)**	**32,879**
Income tax (expense)/benefit		6,411	(10,201)
PROFIT/(LOSS) AFTER INCOME TAX EXPENSE FOR THE HALF YEAR		**(15,131)**	**22,678**
PROFIT/(LOSS) FOR THE HALF YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest		(234)	207
Owners of Helloworld Travel Limited		(14,897)	22,471
		(15,131)	**22,678**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedges		-	(880)
Income tax benefit on cash flow hedges		-	269
Exchange differences on translation of foreign operations		(16)	(20)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE HALF YEAR, NET OF TAX		**(16)**	**(631)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE HALF YEAR		**(15,147)**	**22,047**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE HALF YEAR IS ATTRIBUTABLE TO:			
Non-controlling interest		(234)	207
Owners of Helloworld Travel Limited		(14,913)	21,840
		(15,147)	**22,047**
		Cents	Cents
Basic earnings per share	7	**(9.8)**	**18.2**
Diluted earnings per share	7	**(9.8)**	**18.2**

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 2020

	Note	CONSOLIDATED 31 Dec 2020 $'000	30 Jun 2020 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	142,663	131,861
Trade and other receivables		35,568	39,991
Accrued revenue		13,422	34,482
Inventories		524	540
TOTAL CURRENT ASSETS		**192,177**	**206,874**
NON-CURRENT ASSETS			
Trade and other receivables		4,514	4,692
Investments accounted for using the equity method		17,261	17,436
Property, plant and equipment		12,812	14,697
Right of use assets		28,781	24,538
Intangible assets		297,488	300,747
TOTAL NON-CURRENT ASSETS		**360,856**	**362,110**
TOTAL ASSETS		**553,033**	**568,984**
CURRENT LIABILITIES			
Trade and other payables		106,119	123,401
Lease liabilities		8,733	9,145
Provisions		22,433	20,914
Deferred revenue		15,162	24,368
Income tax payable		-	5,748
TOTAL CURRENT LIABILITIES		**152,447**	**183,576**
NON-CURRENT LIABILITIES			
Borrowings	9	80,672	100,519
Lease liabilities		24,406	20,614
Deferred tax liabilities		39,068	40,512
Provisions		5,284	5,639
Other non-current liabilities		1,410	1,445
TOTAL NON-CURRENT LIABILITIES		**150,840**	**168,729**
TOTAL LIABILITIES		**303,287**	**352,305**
NET ASSETS		**249,746**	**216,679**
EQUITY			
Issued capital	10	468,242	419,466
Reserves	11	(3,095)	(2,517)
Accumulated losses	12	(216,537)	(201,640)
EQUITY ATTRIBUTABLE TO THE OWNERS OF HELLOWORLD TRAVEL LIMITED		**248,610**	**215,309**
Non-controlling interest		1,136	1,370
TOTAL EQUITY		**249,746**	**216,679**

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 2020

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**

CONSOLIDATED	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interests $'000	Total equity $'000
BALANCE AT 1 JULY 2020	**419,466**	**(2,517)**	**(201,640)**	**1,370**	**216,679**
Loss after income tax benefit	-	-	(14,897)	(234)	**(15,131)**
Other comprehensive income/(loss)	-	(16)	-	-	**(16)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE HALF YEAR	**-**	**(16)**	**(14,897)**	**(234)**	**(15,147)**
Transactions with owners in their capacity as owners net of tax:					
LTIP expense reversed for shares that did not meet vesting conditions	-	(683)	-	-	**(683)**
COVID-related retention benefit plan expensed	-	121	-	-	**121**
Issue of new shares, net of transaction costs	48,776	-	-	-	**48,776**
BALANCE AT 31 DECEMBER 2020	**468,242**	**(3,095)**	**(216,537)**	**1,136**	**249,746**

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 2020

	Note	CONSOLIDATED 31 Dec 2020 $'000	31 Dec 2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		327,245	1,866,515
Payments to suppliers and employees (inclusive of GST)		(334,747)	(1,902,851)
Interest received		411	1,450
Finance costs paid		(1,851)	(1,948)
Income taxes paid		-	(8,598)
NET CASH USED IN OPERATING ACTIVITIES		**(8,942)**	**(45,432)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangibles		(3,000)	(11,346)
Payments for property, plant and equipment		(26)	(1,865)
Payments for acquisition of controlled entities, net of cash acquired	13	-	(20,325)
Payments for disposal of controlled entities, net of cash disposed	14	(2,241)	-
Net cash acquired from acquisitions		175	-
Proceeds from disposal of intangibles		-	257
Proceeds from disposal of property, plant and equipment		-	58
Dividends from associates		-	54
NET CASH USED IN INVESTING ACTIVITIES		**(5,092)**	**(33,167)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue, net of costs		48,235	-
Proceeds from / (prepayments) of borrowings		(20,000)	34,000
Proceeds from loan funded LTIP repayments		-	2,301
Dividends paid to company shareholders	6	-	(15,292)
Loans repaid from related parties for equity accounted investments		-	119
Payments for shares acquired by employee share trust		-	(671)
Principal elements of lease payments		(3,057)	(4,206)
NET CASH FROM FINANCING ACTIVITIES		**25,178**	**16,251**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**11,144**	**(62,348)**
Cash and cash equivalents at the beginning of the financial half year		131,861	204,755
Effects of exchange rate changes on cash and cash equivalents		(342)	(412)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL HALF YEAR		**142,663**	**141,995**

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 Securities Exchange (ASX).

The Consolidated Interim Financial Report (financial report) of Helloworld Travel Limited and its controlled entities (the Group), for the six months ended 31 December 2020 was authorised for issue in accordance with a resolution of the directors on 24 February 2021.

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 AASB134 – Interim Financial Reporting adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

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 2020 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.

The financial report has been prepared on a going concern basis, which assumes the Group will be able to meet its obligations as and when they fall due, refer to note 2.

(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) 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 any new standards, interpretation or amendments adopted from 1 July 2020, if any.

(vi) Comparative periods

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

2. Going concern

COVID-19 has caused unprecedented impacts to travel and tourism as a result of border closures, mandatory quarantine periods and restrictions on domestic and international travel.

Since the global pandemic was officially announced by the World Health Organisation (WHO) on 11 March 2020 there continues to be a high level of uncertainty regarding the near-term outlook for the global travel industry. As a result, the Chief Executive Officer and the Board (the Chief Operating Decision Makers or CODM's) have carefully considered the Group's ability to continue as a going concern for the next 12 months from the date the financial statements are issued. Based on their assessment, it has been concluded the that Group will continue to operate as a going concern. As a result, the financial statements have been prepared on this basis.

The key considerations used by the CODM's to assess Helloworld Travel's ability to continue to operate are outlined below:

Liquidity considerations:

- At 31 December 2020, the Group had a cash balance of $142.7 million, which incorporates the equity raise completed by Helloworld of $50.0 million which further enhanced the Group's liquidity position ($48.2 million net of offer costs).
- At 30 June 2020, short dated facilities totalling $17.9 million and $29.0 million were extended by a further 12 months, expiring April 2022 and September 2022 respectively.
- Net leverage and interest coverage covenants are suspended for the calculation dates between September 2020 and the quarter ending December 2021.
- The Group prepaid $20.0 million of borrowings in October 2020 which can be redrawn if required with Westpac's consent. This has reduced our interest costs by approximately $420,000 per annum at current rates.
- At the end of January 2021, the Group had circa $81.0 million of unrestricted cash, with an additional $30.2 million of headroom on existing facilities. This is believed to be sufficient to manage through a prolonged period of disruption to the global travel industry.
- A monthly liquidity requirement has been agreed at $40.0 million from 1 January 2021 through to the end of September 2021. The amount of $40.0 million is subject to negotiation in good faith after 1 October 2021.
- The pricing of the Group's facilities remains unchanged.
- The Group has complied with the financial covenants of its borrowing facilities during the relevant periods.

Future cash flow considerations:

- As a result of COVID-19, action was taken to progressively reduce Helloworld Travel's cost base. Cost reductions have been carefully considered to ensure that the Group is able to respond effectively once travel volumes recover.

The Group has a diversified business with a mix of domestic and international leisure travel, corporate travel and wholesale travel. This means that Helloworld is well placed to benefit from a recovery in both domestic and international travel.

The key cost saving initiatives below have been included in Helloworld Travel's financial modelling and sensitivity testing. These have been reviewed and assessed by the CODM's to ensure that they are appropriate and reasonable.

- Accessing government COVID-19 wage subsidy schemes in Australia and New Zealand. Refer note 4.
- Implementation of hiring and salary freezes and restructuring of non-essential contractors and staff.
- Eliminating all non-essential expenditure including short term capital expenditure (travel, marketing, non-essential software developments).
- Negotiating reduced rents across Helloworld Travel's property portfolio.
- Implementing staff stand downs and reduced working hours across the business.
- Directors and direct reports to the CEO have agreed to reduced fees and salaries which continue into the 2021 financial year.

3. Revenue

	CONSOLIDATED	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Commissions	8,288	142,027
Transaction and services fees	10,937	25,883
Marketing related activities	1,384	19,024
Other revenue from contracts with customers	7,137	10,689
REVENUE FROM CONTRACTS WITH CUSTOMERS	**27,746**	**197,623**
Rents and sublease rentals	-	304
Finance income	411	1,450
Sundry income	1,421	666
OTHER REVENUE	**1,832**	**2,420**
REVENUE	**29,578**	**200,043**

4. Expenses

	CONSOLIDATED 31 Dec 2020 $'000	CONSOLIDATED 31 Dec 2019 $'000
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE INCLUDES THE FOLLOWING SPECIFIC EXPENSE ITEMS:		
Defined contribution superannuation expense	(2,385)	(5,131)
LTIP (expense)/reversed for shares that did not meet vesting conditions	683	(179)
Employee share plan expense	-	(671)
Restructuring costs	(3,517)	(267)
Other employee benefits expense including salaries	(34,396)	(67,686)
Government wage subsidy scheme (Australia and New Zealand) (i)	17,884	-
TOTAL EMPLOYEE BENEFITS EXPENSE	**(21,731)**	**(73,934)**
Depreciation of property, plant and equipment	(1,899)	(2,865)
Depreciation of right of use assets	(4,177)	(4,417)
Amortisation of intangible assets	(7,671)	(8,921)
TOTAL DEPRECIATION AND AMORTISATION	**(13,747)**	**(16,203)**
Finance expense on borrowings	(1,474)	(1,521)
Interest expense on lease liabilities	(530)	(560)
TOTAL FINANCE EXPENSE	**(2,004)**	**(2,081)**
SELECTED SIGNIFICANT ITEMS		
Fair value adjustment on contingent consideration receivable (ii)	(170)	-
Loss adjustment related to the U.S Wholesale division disposal accounting (iii)	(231)	-
COVID-19 Related Retention Benefit Plan (iv)	(121)	-
Franchise loyalty plan expense	-	(7)
Business acquisition related expenses (note 13)	(35)	(1,198)
Payments relating to Tempo Holidays and Bentours collapse (v)	-	(640)

(i) During the current half year, Helloworld Travel Limited received government wage subsidies for eligible employees in both Australia and New Zealand, in the form of JobKeeper ($16.8 million) and New Zealand wage subsidy ($1.1 million) payments. The NZ wage subsidy scheme finished on 3 September 2020. These subsidies were made available to companies to assist with the financial impacts of the COVID-19 pandemic. The Government wage subsidies have been recognised within employee benefits expenses in the consolidated statement of profit or loss and other comprehensive income.

(ii) The contingent consideration receivable relating to the sale of Insider Journeys is a financial asset recorded at fair value through profit or loss in accordance with applicable accounting standards. As at 31 December 2020, the contingent consideration receivable has been remeasured to its fair value of $nil (30 June 2020: $170,000) and the resulting fair value change of $170,000 has been recognised within operating expenses in the consolidated statement of profit and loss.

(iii) During the current half year, Helloworld Travel updated the U.S Wholesale division disposal accounting to reflect the payment of the preliminary adjustment which was paid on 1 December 2020. The payment amounted to $2.1 million, resulting in an adjustment of $0.2 million in the current half-year. Refer note 14 for more information.

(iv) On 18 December 2020, Helloworld Travel granted 800,000 shares under the omnibus incentive plan mechanism. The shares were issued to a number of staff, none of whom are Directors. All those personnel have been working reduced days for a sustained period since March 2020. Shares were issued for nil consideration and have a non-market vesting condition of remaining an employee at Helloworld Travel through to the vesting date of June 1st, 2021.

At the vesting date, employees that have satisfied the required conditions of the plan will be issued with their allocated shares at nil consideration. All omnibus incentive plan shares rank equally in all respects with existing shares from the date of their issue.

The fair value of the shares issued under the plan is based on the number of shares issued at the closing price on 18 December 2020 which was $2.27 per share and is being brought to account over the vesting period. As a result, the total share based payment expense recognised in the current half year in the statement of profit or loss and other comprehensive income amounts to $0.1 million.

(v) Discretionary amounts of $0.6 million were paid to the Group's retail agents impacted by the collapse of Tempo Holidays and Bentours during the half year ended 31 December 2019.

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 an inbound travel business in Fiji, and Tourist Transport Fiji (TTF), being a vehicle transport service provider in Fiji. The Group disposed of its U.S Wholesale Division on 30 June 2020. This business previously formed part of the Group's Rest of World segment.

(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 and make good provisions arising from the application of AASB 16 Leases; and
- exclude large non-recurring items described in part (c) of this note.

A reconciliation of Underlying EBITDA to profit/(loss) before income tax expense is provided in part (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 2020				
Commissions	6,299	1,880	109	**8,288**
Transaction and service fees	9,953	984	-	**10,937**
Marketing related activities	1,384	-	-	**1,384**
Other revenue from contracts with customers	7,137	-	-	**7,137**
REVENUE FROM CONTRACTS WITH CUSTOMERS	**24,773**	**2,864**	**109**	**27,746**
Other revenue	1,231	583	18	**1,832**
SEGMENT REVENUE	**26,004**	**3,447**	**127**	**29,578**
Segment expenses (i)	(24,951)	(5,836)	(363)	**(31,150)**
Depreciation of right of use assets	(3,457)	(615)	(105)	**(4,177)**
Interest expense on lease liabilities and make good provisions	(431)	(95)	(4)	**(530)**
Equity accounted profits/(losses)	(228)	-	-	**(228)**
Add back trading losses relating to U.S wholesale division (i)	-	-	-	**-**
UNDERLYING EBITDA	**(3,064)**	**(3,099)**	**(345)**	**(6,507)**

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 and make good provisions	(467)	(74)	(19)	**(560)**
Equity accounted profits	806	-	-	**806**
Add back trading losses relating to U.S wholesale division (i)	-	-	595	**595**
UNDERLYING EBITDA	**42,275**	**6,003**	**341**	**48,619**

(i) Trading losses relating to U.S Wholesale Division represents the EBITDA losses, excluding share service allocations, associated with U.S Wholesale Division which was disposed of on the 30 June 2020.

(c) Other segment information

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

	CONSOLIDATED	
	31 Dec 2020 $'000	31 Dec 2019 $'000
UNDERLYING EBITDA	**(6,507)**	**48,619**
Restructuring costs	(3,517)	-
COVID-19 Related Retention Benefit Plan	(121)	-
Loss adjustment related to the U.S Wholesale division disposal accounting	(231)	-
Fair value adjustment on contingent consideration receivable	(170)	-
Fair value adjustment on investments	48	-
Trading losses relating to U.S Wholesale Division	-	(595)
Business acquisition related expenses	-	(1,198)
Payments relating to Tempo Holidays and Bentours collapse	-	(640)
TOTAL SIGNIFICANT ITEMS	**(3,991)**	**(2,433)**
Depreciation of property, plant and equipment	(1,899)	(2,865)
Amortisation of intangible assets	(7,671)	(8,921)
Finance expense on borrowings	(1,474)	(1,521)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE	**(21,542)**	**32,879**

Interest income on client funds is included within segment revenue and underlying EBITDA. Underlying EBITDA is reconciled to profit/(loss) before income tax expense.

6. Dividends paid and proposed

The amount of dividends paid during the half year are:

	CONSOLIDATED	
	31 Dec 2020 $'000	31 Dec 2019 $'000
DIVIDENDS PAID DURING THE FINANCIAL HALF YEAR:		
Final prior year dividend of 12.5 cents per share distributed on 17 September 2019	-	15,590
Final prior year dividends associated with LTIP	-	(298)
DIVIDENDS PAID PER STATEMENT OF CASH FLOWS	**-**	**15,292**

No final dividend was declared or proposed for the year ended 30 June 2020.

No interim dividend was declared or proposed for the interim reporting period ended 31 December 2020. During the prior half year, the Group declared a 9.0 cents per share fully franked interim dividend amounting to $11.2 million. The interim dividend was paid out of the 2020 financial half year profits.

Pursuant to the Group's financing arrangements, dividends made prior to 31 December 2021 may be made with Westpac's consent.

7. Earnings per share

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

	CONSOLIDATED	
	31 Dec 2020 cents	31 Dec 2019 cents
Basic EPS attributable to the ordinary equity holders of the Company	(9.8)	18.2
Diluted EPS attributable to the ordinary equity holders of the Company	(9.8)	18.2

(b) Reconciliation of earnings used in calculating EPS

	CONSOLIDATED	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Profit/(loss) after income tax expense/benefit	(15,131)	22,678
Adjusted for profit attributable to the non-controlling interest	234	(207)
NET PROFIT/(LOSS) FOR THE HALF YEAR USED IN CALCULATING EPS	**(14,897)**	**22,471**

(c) Weighted average number of shares (WANOS)

	CONSOLIDATED	
	31 Dec 2020 Number of shares	31 Dec 2019 Number of shares
WANOS USED IN CALCULATING BASIC EPS	**152,088,337**	**123,653,490**
Adjustment for shares issued under franchise loyalty plan	-	5,054
WANOS USED IN CALCULATING DILUTED EPS	**152,088,337**	**123,658,544**

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 COVID-19 Related Retention Benefit Plan prior to vesting date are included in diluted EPS, reflecting the forward non-market vesting conditions and the nil consideration paid on the issue of the shares. At 31 December 2020, 800,000 (31 December 2019: nil) shares issued under the COVID-19 Related Retention Benefit Plan have not vested and are subject to future non-market conditions.

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 2020, Helloworld Travel has a weighted average number of potential ordinary shares relating to the LTIP of 77,534 (31 December 2019: 1,061,957) which have been excluded from diluted EPS. At 31 December 2020, there are nil (31 December 2019: 1,050,000) 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 2020 $'000	30 Jun 2020 $'000	31 Dec 2019 $'000
Cash at bank and on hand (i)	113,905	103,510	77,739
Restricted cash at bank – IATA (ii)	28,758	28,351	64,256
CASH AND CASH EQUIVALENTS	**142,663**	**131,861**	**141,995**

(i) Cash at bank and on hand

Includes client cash which is not IATA restricted.

(ii) Restricted cash at bank

Includes cash held of $28.8 million (2019: $64.3 million) within legal entities of the Group that have International Air Transport Association (IATA) requirements as part of providing ticketing travel arrangements.

9. Borrowings

	CONSOLIDATED	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Secured bank loans	81,000	101,000
Deferred borrowings costs	(328)	(481)
NON-CURRENT BORROWINGS	**80,672**	**100,519**

The Group has secured financing arrangements with the Westpac Banking Corporation (Westpac) of $119.0 million (June 2020: $119.0 million) as outlined below:

	Expiry Date	CONSOLIDATED 31 Dec 2020 $'000	30 Jun 2020 $'000
Secured bank loan – multi currency	Facility A - May 2022	40,000	40,000
Secured multi-option revolving credit facility	Facility B - May 2022	30,000	30,000
Secured bank loan facility – AUD	Facility C – April 2022	20,000	20,000
Secured bank loan facility – TravelEdge acquisition	Facility D – September 2022	29,000	29,000
TOTAL FACILITIES		**119,000**	**119,000**
Secured bank loan – multi currency		19,500	39,500
Secured multi-option revolving credit facility		17,500	17,500
Secured bank loan facility – AUD		15,000	15,000
Secured bank loan facility – TravelEdge acquisition		29,000	29,000
FACILITIES DRAWN DOWN AT THE REPORTING DATE		**81,000**	**101,000**
Secured multi-option revolving credit facility		4,907	8,623
Secured bank loan facility – AUD		2,888	2,888
BANK GUARANTEES AND LETTERS OF CREDIT AT THE REPORTING DATE		**7,795**	**11,511**
Secured bank loan – multi currency		20,500	500
Secured multi-option revolving credit facility		7,593	3,877
Secured bank loan facility – AUD		2,112	2,112
UNUSED AT THE REPORTING DATE		**30,205**	**6,489**

Secured credit facilities

On 23 October 2020, Helloworld Travel pre-paid $20.0 million relating to facility A which can be redrawn, if required, with Westpac's consent.

(i) Terms and Conditions:

During the prior financial year, Helloworld Travel renegotiated the terms and conditions of its Westpac Banking Corporation (Westpac) facility agreements, totalling $119.0 million. The key changes are outlined below:

- The term of facilities C and D totalling $49.0 million were extended from their original expiration date.
- On 30 June 2020, Helloworld renegotiated its banking covenants which provided Helloworld Travel with additional flexibility to manage its liquidity during the COVID-19 pandemic.
- Pursuant to the Group's financing arrangements dividends made prior to December 2021 may be made with Westpac's consent

(ii) Covenants

The Group's loans incorporate certain market standard covenants such as interest cover ratio and net leverage ratio. Westpac has agreed to covenant waivers and suspensions of certain financial covenants.

During the current half, covenant amendments were negotiated with Westpac including the suspension of net leverage and interest cover ratios for the calculation dates between 1 September 2020 and 30 September 2021. All previously agreed quarterly normalised EBTIDA thresholds for the period 1 July 2020 to 30 September 2021 have also been removed. The monthly minimum liquidity requirement is $70.0 million at 30 September 2020; $50.0 million from 1 October 2020 to 31 December 2020 and $40.0 million from 1 January 2021 to 30 September 2021. The liquidity requirement of $40.0 million after 1 October 2021 is subject to negotiation in good faith.

The Group has complied with the quarterly tested financial covenants of its borrowing facilities during the prior financial year and current financial half year.

Bank guarantees and letters of credit

Facilities used at 31 December 2020 of $88.8 million (June 2020: $112.5 million) includes bank guarantees and letters of credit on issue totalling $7.8 million (June 2020: $11.5 million).

10. Issued capital

(a) Shares on issue

	31 Dec 2020 Number of shares	30 Jun 2020 Number of shares	31 Dec 2020 $'000	30 Jun 2020 $'000
Issued capital – fully paid	154,227,845	123,870,842	468,242	419,492
Issued capital – issued, but not vested (i)	800,000	850,000	-	(26)
ISSUED CAPITAL	**155,027,845**	**124,720,842**	**468,242**	**419,466**

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 Omnibus Incentive Plan and LTIP which have not yet met their future vesting conditions.

(b) Movements in shares on issue

CONSOLIDATED	Date	Number of Shares	$'000
BALANCE	**1 July 2020**	**124,720,842**	**419,466**
Issue of new shares (i)	27 July 2020 to 10 August 2020	30,307,003	50,000
Costs associated with capital raising (net of tax)		-	(1,224)
BALANCE	**31 December 2020**	**155,027,845**	**468,242**

(i) Issue of new shares

Helloworld Travel completed a $50.0 million fully underwritten equity raise to strengthen the balance sheet and provide additional liquidity to manage the prolonged period of disruption to the global travel industry.

The $50.0 million equity raise comprised of an institutional placement and an entitlement offer ($48.2 million net of costs). It resulted in the issue of 30.3 million new fully paid ordinary shares in Helloworld Travel, representing approximately 24.3% of existing shares on issue. The shares ranked equally with existing shares on issue. The issue price of $1.65 per share represented a 16% discount to the last traded price prior to announcement of the equity raise of $1.97 on 15 July 2020.

11. Reserves

	CONSOLIDATED	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Foreign currency translation reserve	2,143	2,159
Share based payments reserve	1,962	2,524
Redemption reserve	(7,200)	(7,200)
RESERVES	**(3,095)**	**(2,517)**

12. Accumulated losses

	CONSOLIDATED	
	Half year 31 Dec 2020 $'000	Full year 30 Jun 2020 $'000
ACCUMULATED LOSSES AT THE BEGINNING OF THE FINANCIAL YEAR	**(201,640)**	**(106,255)**
Loss after income tax expense attributable to the owners of Helloworld Travel Limited	(14,897)	(69,874)
Dividends	-	(26,815)
Dividends associated with LTIP	-	460
Transfer of predecessor accounting reserve to accumulated losses	-	844
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL PERIOD	**(216,537)**	**(201,640)**

13. Business acquisitions

(a) Acquisition of the CruiseCo business (CruiseCo)

(i) Summary of acquisition

On 30 November 2020, Helloworld Travel announced the acquisition for 100% of the CruiseCo business (CruiseCo), a specialist cruise package wholesaler. The acquisition will allow Helloworld Travel to expand its cruise offerings in Australia and New Zealand, complementing the existing cruise wholesale business.

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

	$'000
Net purchase price	174
Deferred consideration	145
PURCHASE CONSIDERATION	**319**

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

	$'000
Cash and cash equivalents	283
Trade and other payables	(466)
Provisions	(143)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	**(326)**
Goodwill resulting from the acquisition	645
FAIR VALUE OF NET ASSETS ACQUIRED	**319**

The assets and liabilities of CruiseCo acquired by Helloworld Travel are recorded at fair value for accounting purposes, resulting in goodwill of $0.6 million. The acquisition accounting was provisionally determined at 31 December 2020 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.

The provisional goodwill acquired primarily represents the enlarged product and service offering that Helloworld Travel can now provide to its customers, future synergy opportunities and the future profitability of the business. The provisional goodwill has been allocated to the Australia wholesale and inbound cash generating unit and is not deductible for tax purposes.

(ii) Purchase consideration – cash inflow

	$'000
Net purchase consideration	(174)
Cash and cash equivalents acquired from business	283
NET INFLOW OF CASH – INVESTING ACTIVITIES	**109**

(iii) Revenue and profit before income tax expense contribution

From the date of the acquisition to 31 December 2020 the revenue and net profit/(loss) before income tax expense contributed by CruiseCo was immaterial to the Group's result.

If the date of acquisition had been 1 July 2020, the Group revenue and net profit before income tax expense for the period ended 31 December 2020 would not have been significantly impacted due to COVID-19.

(iv) Acquisition related costs

Acquisition related costs of less than $0.1 million were incurred in the acquisition and are included in other 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) Acquisition of Inspire Travel Management (ITM)

(i) Summary of acquisition

On 31 October 2020, Helloworld Travel acquired an additional 60% of Inspire Travel Management (ITM) a joint venture between Helloworld Travel and In Travel Group, an indigenous travel management company. As a result, Helloworld Travel now owns 100% of ITM, a travel management business providing services throughout Australia. Helloworld Travel's previous investment in ITM was accounted for using the equity method.

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

	$'000
Purchase price	-
PURCHASE CONSIDERATION	**-**

Helloworld Travel paid the nominal amount of $1 to acquire the remaining 60% of ITM.

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

	$'000
Cash and cash equivalents	66
Accrued revenue	35
Deferred tax asset	162
Trade and other payables	(678)
Provisions	(13)
NET ASSETS ACQUIRED (EXCLUDING GOODWILL)	**(428)**
Goodwill resulting from the acquisition	428
FAIR VALUE OF NET ASSETS ACQUIRED	**-**

The assets and liabilities of ITM acquired by Helloworld Travel are recorded at fair value for accounting purposes, resulting in goodwill of $0.4 million. The acquisition accounting was provisionally determined at 31 December 2020 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.

The provisional goodwill acquired primarily represents the ability to control the business operations, future synergy opportunities, 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 inflow

	$'000
Purchase consideration	-
Cash and cash equivalents acquired from business	66
NET INFLOW OF CASH – INVESTING ACTIVITIES	**66**

(iii) Revenue and profit before income tax expense contribution

From the date of the acquisition, 31 October 2020 to 31 December 2020, the revenue and net profit/(loss) before income tax expense contributed by ITM was immaterial to the Group's result.

(iv) Acquisition related costs

Acquisition related costs of less than $0.1 million were incurred in the acquisition and are included in other 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.

Update on business acquisitions undertaken in the prior year 30 June 2020

During the current period, there were no significant updates made to acquisition accounting relating to Atlas Limited. Helloworld Travel has 12 months from the date of acquisition to finalise the acquisition accounting in accordance with applicable accounting standards.

14. Business disposals

In the prior financial year, Helloworld Travel divested its U.S Wholesale division.

During the current half year, Helloworld Travel updated the disposal accounting to reflect the payment of the preliminary settlement adjustment payable, which was paid on 1 December 2020.

The provisional consideration and resulting profit on disposal is outlined below:

	Provisional at 30 June 2020 $'000	Adjustments $'000	Provisional at 31 December 2020 $'000
Settlement adjustment paid	(1,860)	(231)	(2,091)
Carrying amount of net liabilities sold	1,663	-	1,663
LOSS ON DISPOSAL OF NET LIABILITIES SOLD	**(197)**	**(231)**	**(428)**
Foreign currency translation reserve released to profit or loss on disposal	1,422	-	1,422
Transaction costs	(150)	-	(150)
PROFIT ON DISPOSAL OF U.S WHOLESALE DIVISION	**1,075**	**(231)**	**844**

15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years except for the following items:

(a) Business Restructuring

Since 4 January 2021, the Group has continued to restructure the business in line with management's focus on reshaping and resizing the business so that it functions at appropriate levels for the foreseeable future. As a result, head count has been reduced by 65 at a cost of $1.1 million. The charge will be reflected in the full-year statutory result for the year ending 30 June 2021.

(b) STA Joint Venture (DOCA)

On 16 December 2020, Helloworld entered into a Deed of Company Arrangement (DOCA) in relation to the STA Travel – Academic business, to be completed by May 2021. This was part of the STA joint venture with TravelEdge and we will take full ownership of the STA Academic business upon completion.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) The consolidated financial statements and notes that are set out on pages 8 to 25 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 2020 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 2021

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Helloworld Travel Limited (the Company) and its controlled entities (collectively the Group), which comprises the statement of financial position as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and

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

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 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, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2020 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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*.

Ernst & Young

Brett Croft
Partner
Melbourne
24 February 2021