

Apollo Tourism & Leisure Ltd
Appendix 4D
Half-year report

1. Company details

Name of entity:	Apollo Tourism & Leisure Ltd
ABN:	67 614 714 742
Reporting period:	For the period ended 31 December 2019
Previous period:	For the period ended 31 December 2018

2. Results for announcement to the market

The Consolidated Entity has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019. Refer to note 2 of the financial statements for further information.

			\$'000
Revenues from ordinary activities	up	7.4% to	197,180
Profit from ordinary activities after tax attributable to the owners of Apollo Tourism & Leisure Ltd	down	23.5% to	11,250
Profit for the period attributable to the owners of Apollo Tourism & Leisure Ltd	down	23.5% to	11,250
		December 2019 Cents	December 2018 Cents
Basic earnings per share		6.04	8.03
Diluted earnings per share		6.04	8.00

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The profit for the Consolidated Entity after providing for income tax amounted to \$11,250,000 (31 December 2018: \$14,714,000).

An explanation of these figures is contained in 'Review of operations' included within the Directors' report in the attached Interim Financial Report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(136.94)</u>	<u>44.79</u>

Under AASB 16, lease liabilities and the related right-of-use assets are included in the statement of financial position. The net tangible assets calculation includes the lease liability but excludes the related right-of-use asset, which is classified as an intangible asset for the purpose of the net tangible asset calculation. If the right-of-use asset was included the net tangible assets per ordinary security would be 50.16 cents.

4. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2018 (paid 13 September 2018)	3.00	-
Interim dividend for the half-year ended 31 December 2018 (paid 10 April 2019)	2.00	-

5. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Company's Dividend Reinvestment Plan ("DRP") is in operation, a copy of which can be downloaded from the Apollo website at <https://apollotourism.com/>.

The last date(s) for receipt of election notices for the dividend or distribution plans: N/A

6. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Camplify Co (Australia) Pty Ltd	24.90%	24.90%	(252)	(75)
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			(252)	(75)

7. Foreign entities

Details of origin of accounting standards used in compiling the report:

Results for all international operations have been calculated using International Financial Reporting Standards.

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

9. Attachments

Details of attachments (if any):

The Interim Report of Apollo Tourism & Leisure Ltd for the period ended 31 December 2019 is attached.

10. Signed



Signed _____

Date: 25 February 2020

Tennille Carrier
Company Secretary
Brisbane

Apollo Tourism & Leisure Ltd

ABN 67 614 714 742

Interim Report - 31 December 2019

Apollo Tourism & Leisure Ltd
Corporate directory
31 December 2019

Directors	Sophia (Sophie) Mitchell, Non-executive Chairman. Brett Heading, Non-executive Director. Robert Baker, Non-executive Director. Luke Trouchet, Managing Director and Chief Executive Officer. Karl Trouchet, Executive Director - Strategy and Special Projects.
Company secretary	Tennille Carrier.
Registered office	698 Nudgee Rd, Northgate QLD 4013.
Principal place of business	698 Nudgee Rd, Northgate QLD 4013.
Share register	Computershare Investor Services Ltd.
Auditor	Ernst & Young.
Primary Lawyers (Australia)	Jones Day.
Primary Bankers (Australia)	National Australia Bank Limited.
Stock exchange listing	Apollo Tourism & Leisure Ltd shares are listed on the Australian Securities Exchange (ASX code: ATL).
Website	http://www.apollotourism.com/ .
Corporate Governance Statement	http://www.apollotourism.com/corporate-governance/ .

Apollo Tourism & Leisure Ltd
Directors' report
31 December 2019

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity', 'Apollo' or the 'Group') consisting of Apollo Tourism & Leisure Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2019.

Directors

The following persons were Directors of Apollo Tourism & Leisure Ltd during the whole of the financial period and up to the date of this report, unless otherwise stated:

Sophie Mitchell, Non-executive Chairman.
Brett Heading, Non-executive Director (appointed 14 August 2019).
Robert Baker, Non-executive Director (appointed 13 January 2020).
Luke Trouchet, Managing Director and Chief Executive Officer.
Karl Trouchet, Executive Director - Strategy and Special Projects.
Stephen Lonie, Non-executive Chairman (deceased 18 November 2019).

Principal activities

Apollo is an ASX listed, multinational, rental fleet operator, vertically integrated manufacturer, wholesaler and retailer of a broad range of RVs, including motorhomes, campervans and caravans.

Apollo's rental activities are generated from over 30 central outlets across Australia, New Zealand, North America (United States of America and Canada) and Europe (United Kingdom, Ireland, Germany and France). Sales of new and used motorhomes and caravans are made through a combination of established dealer networks and retail shopfronts. The Australian and New Zealand manufacturing entities produce the majority of all units used by the rental operations in those countries. All North American and the majority of European rental vehicles are purchased direct from third party vehicle manufacturers. In addition, the Australian manufacturing entity produces a range of retail motorhomes and caravans under the Winnebago, Windsor and Coromal brands, which are sold through Apollo's retail sales network.

There have been no significant changes in the nature of these activities during the period.

Dividends

Dividends paid during the financial period were as follows:

Consolidated	
December	December
2019	2018
\$'000	\$'000

No final dividend for the year ended 30 June 2019 (30 June 2018: 3.0 cents per ordinary share)

-	<u>5,475</u>
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The 30 June 2018 dividend of 3.0 cents per share was paid by \$1,613,000 dividend reinvestment and \$3,862,000 cash.

Review of operations

The profit for the Consolidated Entity after providing for income tax amounted to \$11,250,000 (31 December 2018: \$14,714,000).

Outlook

Until the recent Australian bushfires and Coronavirus (COVID-19) outbreak, Apollo was tracking to expectations as outlined in our October 2019 AGM update. As noted in the recent 13 and 29 January 2020 market updates, Apollo is challenged by the current combination of macro events; however, the underlying business is strong and well positioned to cycle into better conditions in 2021 financial year.

At this stage, longer term rental bookings globally remain resilient against the bushfires and Coronavirus (COVID-19). Domestic tourism may be stronger, however there is likely to be increased competition from substitutable products such as hotels, car rental and cruise ships. Apollo also notes that domestic bookings tend to be made with shorter lead times and duration.

There is no clear evidence that either the bushfires or the Coronavirus (COVID-19) have had a negative impact on the retail RV market in Australia. However, should economic growth slow on the back of these macro events, the Group would expect there to be an impact on demand. At this stage there has been no supply chain impact from Coronavirus (COVID-19), however this may impact the business in the coming months.

Management is responding to these macro challenges with increased marketing and a focus on costs. The Company has used dynamic yield management to ensure competitive pricing and stimulate bookings.

Operating results by segment

Australia

Revenue rose by 6.3% to \$110,771,000 for the half-year ended 31 December 2019 (31 December 2018: \$104,183,000) while EBIT (earnings before interest and tax) decreased 70.6% to \$1,764,000 (31 December 2018: \$5,999,000).

The downturn in performance being attributable to margin reduction in RV retail sales, impact of the bush fires and a reduction in ancillary revenue due to the removal of some fees to improve guest experience. The Australian segment retains a disproportionate share of the corporate overhead costs.

Retail RV sales volumes were up on the prior period, however, tough retail conditions and a general softness in consumer sentiment, contributed to a decline in sales margins. Despite these headwinds, the Company remains optimistic about the performance of the retail business with volume of sales up as market share is captured. Brand new Windsor and Coromal models were launched in late 2019 and have been well received, with factory production ramping up to meet demand.

Catastrophic bush fires across much of the eastern seaboard in late 2019 had an impact on last-minute rental bookings and cancellations, over the peak Christmas period.

The business continued to invest in the guest experience by using technology to streamline the guest journey and also by removing some fees, the benefit of which will be realised in future financial periods.

New Zealand

Revenue rose by 0.7% to \$15,011,000 for the half-year ended 31 December 2019 (31 December 2018: \$14,905,000) while EBIT decreased 5.2% to \$2,345,000 (31 December 2018: \$2,473,000). The region continues to perform consistently however increased operating overheads contributed to the slight decline in EBIT.

The increased overheads included the appointment of a New Zealand country manager, who will be responsible for providing on-the-ground oversight of the New Zealand rental and retail operations. The benefits of this appointment are already being realised, with a strategic streamlining of rental branch operations currently being implemented.

Vehicle sales volumes and revenues in New Zealand remained consistent with the prior year. Establishment of a flagship retail store at the new Auckland rental branch is beginning to generate positive market traction.

Apollo Tourism & Leisure Ltd
Directors' report
31 December 2019

North America

Revenue rose by 10.5% to \$64,975,000 for the half-year ended 31 December 2019 (31 December 2018: \$58,794,000) while EBIT rose 5.0% to \$20,430,000 (31 December 2018: \$19,449,000). Strong rental performance of the business during the peak 2019 summer period underpinned the increase.

Ex-fleet RV sales continued to pose a challenge for the region during the period, with the impact of the oversupply by the USA manufacturers of new vehicles to the market throughout calendar year 2018 yet to fully dissipate. However, the refinement of fleet lifecycles has assisted in maximising rental utilisation and efficient capital allocation. Apollo is also in the process of establishing three retail sales locations in the USA, utilising existing branch infrastructure to increase its ex-fleet vehicle distribution footprint and achieve increased sales margins.

Europe

Revenue rose by 27.9% to \$7,110,000 for the half-year ended 31 December 2019 (31 December 2018: \$5,560,000) while EBIT decreased 16.4% to \$1,211,000 (31 December 2018: \$1,448,000).

The Company's European operations continued to grow during the period. Increased rental demand and fleet numbers in the UK and commencement of the German and French operations during the 2019 summer period contributed to an increase in rental income over the prior period.

RV sales income also increased over the prior period, however the ongoing impact on consumer sentiment of Brexit and additionally the UK election in December 2019, contributed to a downturn in sales margins achieved.

These external factors, coupled with the initial establishment costs incurred in commencing the German and French operations, resulted in the decrease in segment EBIT from the prior period.

Adoption of AASB 16 Leases

The new leasing standard, AASB 16, became effective on 1 July 2019. The elements of the Statement of profit or loss and other comprehensive income affected by the new standard are noted below:

	Dec 2019 \$'000	Impact of AASB 16 Dec 2019 \$'000	Pre AASB 16 Dec 2019 \$'000	Dec 2018 \$'000
Total revenue	197,180	-	197,180	183,524
Other operating expenses	(140,854)	-	(140,854)	(125,489)
Depreciation and amortisation expense	(19,715)	3,900	(15,815)	(14,548)
Rental costs on land and buildings	-	(5,700)	(5,700)	(4,546)
Other expenses	(11,737)	1,298	(10,439)	(9,646)
Profit before tax and finance costs	24,874	(502)	24,372	29,295
Finance costs	(10,465)	833	(9,632)	(8,608)
Profit before income tax expense	14,409	332	14,741	20,687
Income tax expense	(3,159)	(93)	(3,252)	(5,973)
Profit after income tax expense	11,250	239	11,489	14,714

**Earnings per share attributable to the owners of Apollo
Tourism & Leisure Ltd**

Basic (cents per share)	6.04	0.13	6.17	8.03
Diluted (cents per share)	6.04	0.13	6.17	8.00

Apollo Tourism & Leisure Ltd
Directors' report
31 December 2019

Net current liability position

The Consolidated Entity is in a consolidated net current liability position as at 31 December 2019 of \$132,410,000. In accordance with AASB 101 *Presentation of Financial Statements*, the finance lease and hire purchase facilities are treated as current liabilities with the assets that are being financed included as non-current assets. This results in current liabilities being in excess of current assets in the statement of financial position as at 31 December 2019.

The Directors consider that the Group will generate sufficient operating cash flows to finance its ongoing operations and meet its financial obligations. Accordingly, the financial report has been prepared on a going concern basis. Refer to Note 1, Significant accounting policies, located in the financial statements for further information.

The financing arrangements for the Consolidated Entity are shown below by combining the total current and non-current liability and aligning this with the related asset value:

Borrowings	Liability Dec 2019 \$'000	Related asset	Asset Dec 2019 \$'000	Difference Dec 2019 \$'000
Property financing				
Bank loans	28,211	Land and buildings: PPE	37,322	9,111
Lease liabilities*	<u>47,772</u>	Land and buildings: ROU asset	<u>43,839</u>	<u>(3,933)</u>
	<u>75,983</u>		<u>81,161</u>	<u>5,178</u>
Vehicle financing				
Floorplan	32,487	New vehicles for retail sale	39,817	7,330
Loans from other financiers	16,830	Used rental vehicles for sale	24,439	7,609
Lease liabilities	250,702	Motor vehicles: ROU asset	304,444	53,742
	-	Motor vehicle: PPE	20,162	20,162
	<u>300,019</u>		<u>388,862</u>	<u>88,843</u>
Total	<u>376,002</u>		<u>470,023</u>	<u>94,021</u>

* The right-of-use asset (ROU asset) recognised for leases on land and buildings is less than the lease liability due to the front loading effect whereby the right-of-use asset is depreciated on a straight-line basis and the effective interest rate method is applied to the lease liability, resulting in the liability being higher in the early years of the lease term. The effective interest rate method results in a decreasing total lease expense throughout the lease term and the lease liability decreasing unevenly over time.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial period.

Matters subsequent to the end of the financial period

Except for matters stated elsewhere in this report, no matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Apollo Tourism & Leisure Ltd
Directors' report
31 December 2019

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Luke Trouchet
Director

25 February 2020
Brisbane



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of Apollo Tourism & Leisure Ltd

As lead auditor for the review of the half-year financial report of Apollo Tourism & Leisure Ltd for the half-year ended 31 December 2019, 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 Apollo Tourism & Leisure Ltd and the entities it controlled during the financial period.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Mike Reid'.

Mike Reid
Partner
25 February 2020

Apollo Tourism & Leisure Ltd

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31 December 2019

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General information

The financial statements cover Apollo Tourism & Leisure Ltd as a Consolidated Entity consisting of Apollo Tourism & Leisure Ltd and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Apollo Tourism & Leisure Ltd's functional and presentation currency.

Apollo Tourism & Leisure Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 698 Nudgee Rd, Northgate QLD 4013, Australia.

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 February 2020.

Apollo Tourism & Leisure Ltd
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2019

		Consolidated	
	Note	December 2019 \$'000	December 2018 \$'000
Revenue from contracts with customers	4	102,729	92,074
Rental income		94,156	90,733
Other income		295	717
Total revenue	3	197,180	183,524
Expenses			
Cost of goods sold		(91,430)	(80,425)
Motor vehicle running expenses		(22,814)	(21,542)
Advertising, promotions and commissions paid		(3,570)	(2,556)
External acquisition costs		(32)	(111)
Employee benefits expense		(22,756)	(20,780)
Depreciation and amortisation expense		(19,715)	(14,548)
Rental costs on land and buildings		-	(4,546)
Share of profit/(loss) in associates		(252)	(75)
Other expenses		(11,737)	(9,646)
Profit before tax and finance costs		24,874	29,295
Finance costs		(10,465)	(8,608)
Profit before income tax expense		14,409	20,687
Income tax expense		(3,159)	(5,973)
Profit after income tax expense for the period attributable to the owners of Apollo Tourism & Leisure Ltd		11,250	14,714
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation gain/(loss)		427	1,452
Other comprehensive income for the period, net of tax		427	1,452
Total comprehensive income for the period attributable to the owners of Apollo Tourism & Leisure Ltd		11,677	16,166
		Cents	Cents
Basic earnings per share	5	6.04	8.03
Diluted earnings per share	5	6.04	8.00

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

Apollo Tourism & Leisure Ltd
Statement of financial position
As at 31 December 2019

		Consolidated	
	Note	December 2019 \$'000	June 2019 \$'000
Assets			
Current assets			
Cash and cash equivalents		17,281	34,549
Trade and other receivables	6	8,190	13,385
Inventories	7	83,688	96,954
Income tax refund receivable		1,362	976
Prepayments and other current assets		11,075	15,182
Total current assets		<u>121,596</u>	<u>161,046</u>
Non-current assets			
Investments accounted for using the equity method		2,280	2,532
Property, plant and equipment	8	69,103	381,973
Right-of-use assets	9	348,283	-
Intangibles		37,127	36,088
Deferred tax asset		1,623	942
Other non-current assets		2,152	2,077
Total non-current assets		<u>460,568</u>	<u>423,612</u>
Total assets		<u>582,164</u>	<u>584,658</u>
Liabilities			
Current liabilities			
Trade and other payables		24,995	33,298
Contract liabilities		4,008	4,970
Borrowings	10	207,383	227,757
Income tax payable		-	1,449
Provisions		3,407	3,402
Unearned rental income	12	13,182	27,775
Other current liabilities		1,031	1,135
Total current liabilities		<u>254,006</u>	<u>299,786</u>
Non-current liabilities			
Borrowings	11	168,619	136,686
Deferred tax liability		28,180	25,171
Provisions		357	2,589
Other non-current liabilities		499	962
Total non-current liabilities		<u>197,655</u>	<u>165,408</u>
Total liabilities		<u>451,661</u>	<u>465,194</u>
Net assets		<u>130,503</u>	<u>119,464</u>
Equity			
Issued capital	13	83,709	83,709
Reserves		(10,170)	(10,597)
Retained profits		56,964	46,352
Total equity		<u>130,503</u>	<u>119,464</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Apollo Tourism & Leisure Ltd
Statement of changes in equity
For the period ended 31 December 2019

Consolidated	Issued Capital \$'000	Common Control Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Profits \$'000	Total equity \$'000
Balance at 1 July 2018	79,799	(13,821)	220	50,843	117,041
Adjustment - adoption of new accounting standards	-	-	-	(16)	(16)
Balance at 1 July 2018 - restated	79,799	(13,821)	220	50,827	117,025
Profit after income tax expense for the period	-	-	-	14,714	14,714
Other comprehensive income for the period, net of tax	-	-	1,452	-	1,452
Total comprehensive income for the period	-	-	1,452	14,714	16,166
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	1,614	-	-	-	1,614
Dividends paid (note 14)	-	-	-	(5,475)	(5,475)
Balance at 31 December 2018	<u>81,413</u>	<u>(13,821)</u>	<u>1,672</u>	<u>60,066</u>	<u>129,330</u>

Consolidated	Issued Capital \$'000	Common Control Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Profits \$'000	Total equity \$'000
Balance at 1 July 2019	83,709	(13,821)	3,224	46,352	119,464
Adjustment - adoption of AASB16 (note 2)	-	-	-	(638)	(638)
Balance at 1 July 2019 - restated	83,709	(13,821)	3,224	45,714	118,826
Profit after income tax expense for the period	-	-	-	11,250	11,250
Other comprehensive income for the period, net of tax	-	-	427	-	427
Total comprehensive income for the period	-	-	427	11,250	11,677
Balance at 31 December 2019	<u>83,709</u>	<u>(13,821)</u>	<u>3,651</u>	<u>56,964</u>	<u>130,503</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Apollo Tourism & Leisure Ltd
Statement of cash flows
For the period ended 31 December 2019

	Consolidated	
Note	December 2019 \$'000	December 2018 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	188,335	173,213
Payments to suppliers and employees (inclusive of GST)	(155,496)	(158,251)
Interest paid	(9,632)	(8,608)
Proceeds from sale of rental fleet	23,669	21,640
Interest received	296	239
Income taxes paid	(2,470)	(3,351)
	<u>44,702</u>	<u>24,882</u>
Net cash from operating activities		
Cash flows from investing activities		
Payments for property, plant and equipment	8 (1,075)	(3,375)
Payments for intangibles	(1,328)	(302)
Payment for purchase of intellectual property	-	(1,000)
Payments for purchase of rental fleet	(7,709)	(19,773)
Proceeds from disposal of property, plant and equipment	204	3
	<u>(9,908)</u>	<u>(24,447)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from borrowings	67,106	96,624
Repayment of borrowings/finance lease principal	-	(117,511)
Repayment of borrowings	(59,013)	-
Dividends paid	14 -	(3,862)
Repayment of lease liabilities	(60,246)	-
	<u>(52,153)</u>	<u>(24,749)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(17,359)	(24,314)
Cash and cash equivalents at the beginning of the financial period	34,549	36,637
Effects of exchange rate changes on cash and cash equivalents	91	652
	<u>17,281</u>	<u>12,975</u>
Cash and cash equivalents at the end of the financial period		

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 supports compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report 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.

The principal accounting policies adopted are consistent with those policies of the previous financial year and corresponding interim reporting period, except for the following policies, due to adoption of a new Accounting Standard:

Leases

The Consolidated Entity assesses at contract inception whether a contract is, or contains, a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Consolidated Entity as a lessee

The Consolidated Entity applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Consolidated Entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease (i.e., the date the underlying asset is available for use). The right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

- Land and buildings - 1 to 12 years
- Motor vehicles and other equipment - 1 to 13 years

If ownership of the leased asset transfers to the Consolidated Entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment testing under AASB 136 *Impairment of Assets*.

Lease liabilities

At the commencement date of the lease, the Consolidated Entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. These lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Consolidated Entity and payments of penalties for terminating the lease, if the lease term reflects the Consolidated Entity exercising the option to terminate. Variable lease payments that do not depend on an index or rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Consolidated Entity uses the interest rate implicit in the lease or if that rate is not readily determinable the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying value of lease liabilities is remeasured if there is a change in the following: future lease payments arising from a change in an index or rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit and loss if the carrying amount of the right-of-use asset is fully written down.

Note 1. Significant accounting policies (continued)

Short-term leases and leases of low-value assets

The Consolidated Entity applies the short-term recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Basis of preparation

The Consolidated Entity is in a consolidated net current liability position as at 31 December 2019 of \$132,410,000 (30 June 2019 \$138,740,000) whereby current assets are \$121,596,000 and current liabilities are \$254,006,000. This outcome is primarily as a result of lease liabilities of \$169,000,000, loans from other financiers of \$4,723,000, and unearned income of \$13,182,000 being classified as current liabilities. Due to the terms associated with certain finance facilities and, in accordance with AASB 101 *Presentation of Financial Statements*, these facilities are treated as current liabilities, with the assets that are being financed included as non-current assets. This results in current liabilities being in excess of current assets in the statement of financial position as at 31 December 2019. Based on projected profit and cash flow forecasts, the Consolidated Entity expects to be able to pay its creditors as and when they fall due for the next 12 months, in the ordinary course of business, and does not consider that any asset is likely to be realised for an amount less than the amount at which it is recorded in the statement of financial position as at 31 December 2019. Accordingly, the Directors consider that the Consolidated Entity will generate sufficient cash flows from operations to finance its ongoing operations and meet its financial obligations and the financial report has been prepared on a going concern basis.

Comparatives have been restated where needed to conform to current-year classification and presentation. A significant reclassification of comparative items relates to *Payments for purchase of rental fleet*, previously included in cash flows from investing activities reclassified to cash flows from operating activities of \$11,107,000.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The impact on the financial performance and position of the Consolidated Entity from the adoption of these Accounting Standards is detailed in note 2. Any change to accounting policies has been detailed in the relevant note. The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity.

AASB 16 Leases

The Consolidated Entity has adopted AASB 16 from 1 July 2019. The standard eliminates the classifications of operating leases and finance leases for lessees. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line expense previously recognised on leases is replaced with a depreciation charge for the right-of-use assets (included in depreciation and amortisation expense) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117 *Leases*. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. Refer to note 2 for additional information.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 *Income Taxes* and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following issues:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit/(loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

Note 1. Significant accounting policies (continued)

The Consolidated Entity determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Consolidated Entity applied judgement in identifying uncertainties over income tax treatments. Since the Consolidated Entity operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Consolidated Entity considered whether it has any uncertain tax positions. The Interpretation did not have an impact on the consolidated financial statements of the Consolidated Entity.

Note 2. Adoption of AASB 16 'Leases'

AASB 16 replaces AASB 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 did not have an impact for leases where the Consolidated Entity is the lessor.

AASB 16 was adopted using the modified retrospective method with the date of initial application being 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Consolidated Entity elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Consolidated Entity applied the standard only to contracts that were previously identified as leases applying AASB 117 and IFRIC 4 at the date of initial application.

The effect of adoption of AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	Operating leases under AASB 117 \$'000	Finance leases under AASB 117 \$'000
Assets		
Right-of-use assets	47,131	322,388
Property, plant and equipment	-	(322,388)
Deferred tax asset	13,793	-
Total assets	<u>60,924</u>	<u>-</u>
Liabilities		
Lease liabilities	50,552	296,072
Hire purchase contracts	-	(296,072)
Deferred tax liabilities	13,528	-
Straight line lease provision	(2,518)	-
Total liabilities	<u>61,562</u>	<u>-</u>
Retained earnings		
Retained earnings	<u>(638)</u>	<u>-</u>

The Consolidated Entity has lease contracts for land and buildings, motor vehicles and other equipment. Before the adoption of AASB 16, the Consolidated Entity classified each of its leases (as lessee) at the inception date as either a finance lease or operating lease.

Note 2. Adoption of AASB 16 'Leases' (continued)

Leases previously classified as finance leases

The Consolidated Entity did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 were applied to these leases from 1 July 2019.

Leases previously classified as operating leases

The Consolidated Entity recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

The right-of-use assets were measured using a modified retrospective method, determined on a lease by lease basis as either:

- The carrying amount as if AASB 16 had always been applied, apart from the use of incremental borrowing rate at the date of initial application; or
- Based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rate applied to the lease liabilities recognised at 1 July 2019, the date of initial application, is 4.74%.

The Consolidated Entity applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 July 2019:

- Right-of-use assets of \$369,519,000 were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of \$322,388,000 that were reclassified from property, plant and equipment. A corresponding deferred tax liability of \$13,528,000 was recognised.
- Lease liabilities of \$346,624,000 were recognised and presented separately in the statement of financial position. This includes the lease liabilities recognised previously under hire purchase contracts of \$296,072,000 that were reclassified from obligations under finance leases and hire purchase contracts. A corresponding deferred tax asset of \$13,793,000 was recognised.
- The lease straight line provision of \$2,518,000 was derecognised.
- The net effect of those adjustments has been adjusted to retained earnings of \$638,000.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	1 July 2019 \$'000
Operating lease commitments as at 30 June 2019	58,015
Less: effect of discounting using the incremental borrowing rate	(9,139)
Less: short-term lease recognised on a straight-line basis as expense	(2,065)
Less: commitments not within the scope of AASB 16	(670)
Add: commitments relating to leases previously classified as finance leases	296,072
Add: lease payments relating to renewal periods not included in commitments as at 30 June 2019	4,411
	4,411
Lease liability recognised as at 1 July 2019	346,624

Note 2. Adoption of AASB 16 'Leases' (continued)

The adoption of AASB 16 has also resulted in a change in the treatment of sale and leaseback transactions. The previous treatment under AASB 117 required the leased asset to be recorded at the transaction price with the gain recognised as a deferred liability which was amortised over the term of the lease and recognised in other income. Any transactions that were in place at 30 June 2019 are grandfathered and will remain accounted for under AASB 117 until the deferred liability is amortised to nil. Any new transaction from 1 July 2019 does not meet the definition of a sale under *AASB 15 Revenue from Contracts with Customers* and is, therefore, not a lease under AASB 16. The transaction is deemed a financing arrangement whereby, the leased asset is recorded at initial cost which will result in decreased depreciation. The asset will continue to be amortised over its useful life. There is no change to the timing of amortisation or depreciation as the lease term and the useful life of the asset are the same.

Note 3. Operating segments

Identification of reportable operating segments

The Consolidated Entity is organised into geographical operating segments: Australia, New Zealand, North America and Europe. These operating segments are based on the internal reports that are reviewed and used by the Senior Management group (which is identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The European segment includes the operating results of the new operations in Germany and France, which are not included in the 31 December 2018 results.

Given the manufacturing entities in Australia, New Zealand and Europe operate on a cost recovery basis in order to break even and manufacture only to order by the respective Australia, New Zealand and Europe operating entities, the Directors do not consider the manufacturing entities to be separate operating segments as they are not monitored standalone, but rather within the geographic segment operations.

The CODM monitor the operating results of the geographical segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements, as follows:

- The Australian segment provides short term hire of motorhomes, manufactures replacement vehicles for the rental fleet, manufactures motorhomes and caravans for sale direct to the public and operates vehicle sales activities for the sale of new units direct to the public and through a dealer network, as well as the sale of ex-rental fleet vehicles direct to the public and through a dealer network.
- The New Zealand segment provides short term hire of motorhomes, manufactures replacement vehicles for the rental fleet and operates vehicle sales activities for the sale of ex-rental fleet vehicles through a dealer network.
- The North American segment provides short term hire of motorhomes and operates vehicle sales activities for the sale of ex-rental fleet vehicles direct to the public and through a dealer network.
- The European segment provide short term hire of motorhomes, manufactures replacement vehicles for the rental fleet and operates vehicle sales activities for the sale of new and ex-rental fleet units direct to the public.
- The Other / Elimination segment represents intersegment eliminations.

Intersegment transactions

As transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties, the CODM does not distinguish between revenue from internal or external customers when measuring the performance of segments. Intersegment transactions were made at market rates and are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Seasonality

The tourism industry is subject to seasonal fluctuations, with peak demand over tourism attractions and transportation over the summer months. New Zealand and Australia's profits are typically generated over the southern hemisphere summer months and North American and European operations experience stronger profits over the northern hemisphere summer.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - December 2019	Australia \$'000	New Zealand \$'000	North America \$'000	Europe \$'000	Others and Eliminations \$'000	Total \$'000
Revenue						
Rental income	29,515	11,321	48,190	5,130	-	94,156
Revenue from contracts with customers	80,504	3,690	16,555	1,980	-	102,729
Total sales revenue	110,019	15,011	64,745	7,110	-	196,885
Other income	752	-	230	-	(687)	295
Total revenue	110,771	15,011	64,975	7,110	(687)	197,180
EBIT (Earnings before interest and tax)	1,764	2,345	20,430	1,211	(876)	24,874
Finance costs	(3,589)	(1,236)	(5,728)	(599)	687	(10,465)
Profit/(loss) before income tax expense	(1,825)	1,109	14,702	612	(189)	14,409
Income tax expense						(3,159)
Profit after income tax expense						11,250
<i>Material items include:</i>						
Manufacturing costs	(14,872)	(2,730)	-	-	-	(17,602)
Cost of goods sold	(70,944)	(3,439)	(15,346)	(1,701)	-	(91,430)
Other expenses	(16,617)	(5,529)	(14,605)	(1,654)	-	(38,405)
Employee benefits expenses	(11,975)	(794)	(8,427)	(1,560)	-	(22,756)
Depreciation and amortisation	(9,472)	(2,905)	(6,165)	(984)	(189)	(19,715)
Assets						
Segment assets	274,684	84,387	232,147	33,687	(44,364)	580,541
<i>Unallocated assets:</i>						
Deferred tax asset						1,623
Total assets						582,164
<i>Total assets includes:</i>						
Investments in associates	2,280	-	-	-	-	2,280
Acquisition of non-current assets	10,501	5,307	8,121	646	-	24,575
Liabilities						
Segment liabilities	166,446	60,087	174,295	23,210	(557)	423,481
<i>Unallocated liabilities:</i>						
Deferred tax liability						28,180
Total liabilities						451,661

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. Therefore, the current and comparative EBIT are not directly comparable.

Note 3. Operating segments (continued)

Consolidated - December 2018	Australia	New Zealand	North America	Europe	Others and Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Rental income	31,323	11,441	43,346	4,623	-	90,733
Revenue from contracts with customers	72,355	3,415	15,367	937	-	92,074
Total sales revenue	103,678	14,856	58,713	5,560	-	182,807
Other income	505	49	81	-	82	717
Total revenue	104,183	14,905	58,794	5,560	82	183,524
EBIT (Earnings before interest and tax)	5,999	2,473	19,449	1,448	(74)	29,295
Finance costs	(3,016)	(1,036)	(4,192)	(282)	(82)	(8,608)
Profit/(loss) before income tax expense	2,983	1,437	15,257	1,166	(156)	20,687
Income tax expense						(5,973)
Profit after income tax expense						14,714
<i>Material items include:</i>						
Manufacturing costs	(17,908)	(2,215)	-	-	-	(20,123)
Cost of goods sold	(63,164)	(3,428)	(13,184)	(649)	-	(80,425)
Other expenses	(17,798)	(5,248)	(13,627)	(1,825)	22	(38,476)
Employee benefits expenses	(11,663)	(663)	(7,213)	(1,241)	-	(20,780)
Depreciation and amortisation	(5,569)	(3,093)	(5,320)	(388)	(178)	(14,548)
Consolidated - June 2019						
Assets						
Segment assets	266,299	74,733	253,731	32,562	(43,609)	583,716
<i>Unallocated assets:</i>						
Deferred tax asset						942
Total assets						584,658
<i>Total assets includes:</i>						
Investments in associates	2,532	-	-	-	-	2,532
Acquisition of non-current assets	30,091	18,433	80,323	16,918	-	145,765
Liabilities						
Segment liabilities	155,442	49,350	211,332	23,006	(556)	438,574
<i>Unallocated liabilities:</i>						
Provision for income tax						1,449
Deferred tax liability						25,171
Total liabilities						465,194

Note 4. Revenue from contracts with customers

	Consolidated	
	December 2019 \$'000	December 2018 \$'000
Vehicle sales	98,780	88,626
Repairs and servicing	2,091	2,246
Commissions and royalty	1,312	1,202
Other revenue	546	-
	<u>102,729</u>	<u>92,074</u>
Revenue from contracts with customers	<u>102,729</u>	<u>92,074</u>

Note 5. Earnings per share

	Consolidated	
	December 2019 \$'000	December 2018 \$'000
Profit after income tax attributable to the owners of Apollo Tourism & Leisure Ltd	<u>11,250</u>	<u>14,714</u>
	Cents	Cents
Basic earnings per share	6.04	8.03
Diluted earnings per share	6.04	8.00
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	186,150,908	183,162,747
Adjustments for calculation of diluted earnings per share:		
Shares to be issued due to the achievement of contingent consideration arrangements	<u>-</u>	<u>806,095</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>186,150,908</u>	<u>183,968,842</u>

Note 6. Current assets - Trade and other receivables

	Consolidated	
	December 2019 \$'000	June 2019 \$'000
Trade receivables	7,522	12,780
Less: Allowance for expected credit losses	(15)	(30)
	<u>7,507</u>	<u>12,750</u>
Other receivables	<u>683</u>	<u>635</u>
	<u>8,190</u>	<u>13,385</u>

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Note 7. Current assets - Inventories

	Consolidated	
	December	June 2019
	2019	2019
	\$'000	\$'000
Raw materials	9,431	9,517
Work in progress	671	837
New vehicles for retail sale	39,817	49,743
Used rental vehicles for sale	24,439	29,319
Stock in transit and spare parts	9,330	7,538
	<u>83,688</u>	<u>96,954</u>

Note 8. Non-current assets - Property, plant and equipment

	Consolidated	
	December	June 2019
	2019	2019
	\$'000	\$'000
Land and buildings - at cost	39,931	39,345
Less: Accumulated depreciation	(2,609)	(2,195)
	<u>37,322</u>	<u>37,150</u>
Plant and equipment - at cost	32,674	32,528
Less: Accumulated depreciation	(21,055)	(19,868)
	<u>11,619</u>	<u>12,660</u>
Motor vehicles - at cost	31,911	-
Less: Accumulated depreciation	(11,749)	-
	<u>20,162</u>	<u>-</u>
Motor vehicles under finance lease	-	394,115
Less: Accumulated depreciation	-	(61,932)
Less: Impairment	-	(20)
	<u>-</u>	<u>332,163</u>
	<u>69,103</u>	<u>381,973</u>

Note 8. Non-current assets - Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out in the following table:

Consolidated	Motor vehicles under finance leases \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Land and buildings \$'000	Total \$'000
Balance at 1 July 2019	332,163	-	12,660	37,150	381,973
Transfers on adoption of AASB 16	(332,163)	9,775	-	-	(322,388)
Additions	-	15,324	674	401	16,399
Disposals	-	(13,714)	(235)	-	(13,949)
Exchange differences	-	107	181	179	467
Transfers from right-of-use assets	-	15,556	-	-	15,556
Transfers in/(out)	-	(5,629)	-	-	(5,629)
Depreciation expense*	-	(1,257)	(1,661)	(408)	(3,326)
Balance at 31 December 2019	<u>-</u>	<u>20,162</u>	<u>11,619</u>	<u>37,322</u>	<u>69,103</u>

* Depreciation charged to profit and loss for the period comprises depreciation expense of \$3,326,000 and \$317,000 capitalised as part of the cost of motor vehicle manufacture.

Note 9. Non-current assets - Right-of-use assets

	Consolidated	
	December 2019 \$'000	June 2019 \$'000
Land and buildings - right-of-use	57,474	-
Less: Accumulated depreciation	(13,635)	-
	<u>43,839</u>	<u>-</u>
Motor vehicles - right-of-use	356,155	-
Less: Accumulated depreciation	(51,711)	-
	<u>304,444</u>	<u>-</u>
	<u><u>348,283</u></u>	<u><u>-</u></u>

Additions to right-of-use assets during the period were \$10,408,000.

The Consolidated Entity leases land and buildings for its offices, warehouses and retail outlets under agreements of between 1 to 12 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Consolidated Entity also leases motor vehicles and other equipment under agreements of between 1 to 13 years.

Note 9. Non-current assets - Right-of-use assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Consolidated	Land and buildings \$'000	Motor vehicles and other equipment \$'000	Total \$'000
Balance at 1 July 2019	-	-	-
Additions from initial adoption of AASB 16	45,633	323,886	369,519
Additions	2,232	8,176	10,408
Remeasurement of leases	(62)	-	(62)
Transfers to property, plant and equipment	-	(15,556)	(15,556)
Exchange differences	106	1,386	1,492
Transfers in/(out)	-	(981)	(981)
Depreciation expense*	(4,070)	(12,467)	(16,537)
Balance at 31 December 2019	<u>43,839</u>	<u>304,444</u>	<u>348,283</u>

* Depreciation charged to profit and loss for the period comprises depreciation expense of \$16,537,000 and \$623,000 capitalised as part of the cost of motor vehicle manufacture.

Note 10. Current liabilities - Borrowings

	Consolidated	
	December 2019 \$'000	June 2019 \$'000
Bank loans	1,173	1,168
Floor Plan	32,487	39,612
Loans from other financiers	4,723	-
Obligations under finance leases and hire purchase contracts	-	186,977
Lease liability	169,000	-
	<u>207,383</u>	<u>227,757</u>

Bank loans relate to the current portion of mortgages over land and buildings. Interest rates applicable at 31 December 2019 range from 3.41% to 3.95% (30 June 2019: 3.41% to 3.95%).

Note 11. Non-current liabilities - Borrowings

	Consolidated	
	December 2019 \$'000	June 2019 \$'000
Bank loans	27,038	27,591
Loans from other financiers	12,107	-
Obligations under finance leases and hire purchase contracts	-	109,095
Lease liability	129,474	-
	<u>168,619</u>	<u>136,686</u>

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Note 11. Non-current liabilities - Borrowings (continued)

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	December	June 2019
	2019	2019
	\$'000	\$'000
Bank loans	28,211	28,759
Floor Plan	32,487	39,612
Loans from other financiers	16,830	-
Obligations under finance leases and hire purchase contracts	-	296,072
Lease liability	298,474	-
	<u>376,002</u>	<u>364,443</u>

Note 12. Current liabilities - Unearned rental income

	Consolidated	
	December	June 2019
	2019	2019
	\$'000	\$'000
Rental income in advance	11,862	25,936
Customer bonds held	1,320	1,839
	<u>13,182</u>	<u>27,775</u>

Note 13. Equity - Issued capital

	Consolidated			
	December	June 2019	December	June 2019
	2019	2019	2019	2019
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>186,150,908</u>	<u>186,150,908</u>	<u>83,709</u>	<u>83,709</u>

Note 14. Equity - Dividends

Dividends paid during the financial period were as follows:

	Consolidated	
	December	December
	2019	2018
	\$'000	\$'000
No final dividend for the year ended 30 June 2019 (30 June 2018: 3.0 cents per ordinary share)	<u>-</u>	<u>5,475</u>

The 30 June 2018 dividend of 3.0 cents per share was paid by \$1,613,000 dividend reinvestment and \$3,862,000 cash.

Note 15. Fair value measurement

Fair value hierarchy

The following tables detail the Consolidated Entity's assets and liabilities, at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Consolidated - December 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Floating rate borrowings (Australia)	-	31,051	-	31,051
Floating rate borrowings (New Zealand)	-	1,436	-	1,436
Floating rate borrowings (Canada)	-	28,211	-	28,211
Total liabilities	-	60,698	-	60,698

Consolidated - June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Floating rate borrowings (Australia)	-	39,032	-	39,032
Floating rate borrowings (New Zealand)	-	580	-	580
Floating rate borrowings (Canada)	-	28,759	-	28,759
Total liabilities	-	68,371	-	68,371

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. For assets and liabilities that are recognised on a recurring basis, the Consolidated Entity determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between levels during the financial period.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 16. Business combinations

Completed valuations

On 28 February 2019, the Consolidated Entity acquired the business assets of Direction France. In February 2020, the valuation was completed and the acquisition date fair value of the acquired intangibles of \$119,000 and no goodwill remains unchanged from provisional amounts disclosed at 30 June 2019.

On 1 March 2019, the Consolidated Entity acquired the business assets and intellectual property of the Fleetwood, Coromal and Windsor brands. In February 2020, the valuation was completed and the acquisition date fair value of the acquired intangibles of \$1,157,000 and no goodwill remains unchanged from the provisional amounts disclosed at 30 June 2019.

Apollo Tourism & Leisure Ltd
Notes to the financial statements
31 December 2019

Note 17. Related party disclosures

Parent entity

Apollo Tourism & Leisure Ltd is the parent entity.

Transactions with related parties

The Group continues to lease premise space from Director-related entities and incur rent expense under normal commercial terms.

The Group continues to receive administration fees from Campstay Pty Ltd, a Director-related entity.

The Group continues to pay advisory fees to Jones Day, a Director-related entity.

There were no loans to or from related parties at the current and previous reporting date.

Note 18. Commitments

Consolidated	
December	June 2019
2019	2019
\$'000	\$'000

Capital commitments

Committed at the reporting date but not recognised as liabilities, payable:

Property, plant and equipment

25,390 -

The December 2019 balance represents North American motor vehicle hire purchase commitments, which were made since 30 June 2019 commensurate with the timing of vehicle ordering for the Northern hemisphere summer.

Note 19. Events after the reporting period

Except for matters stated elsewhere in this report, no matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Apollo Tourism & Leisure Ltd
Directors' declaration
31 December 2019

In the Directors' opinion:

- The attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- The attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the financial period ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Luke Trouchet
Director

25 February 2020
Brisbane

Independent Auditor's Review Report to the Members of Apollo Tourism & Leisure Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Apollo Tourism & Leisure Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2019, the 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 Group's financial position as at 31 December 2019 and of its 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 financial position as at 31 December 2019 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.

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.



**Building a better
working world**

Independence

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

Ernst & Young

Mike Reid
Partner
Brisbane
25 February 2020