Corporate Travel Management Limited

ABN 17 131 207 611

Registered office:
27A/52 Charlotte Street
Brisbane Queensland 4000

Interim Report

31 December 2014

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This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2014 (located on the ASX website) and any public announcements made by Corporate Travel Management Limited during the interim reporting period, in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Appendix 4D
Half-yearly Report

Corporate Travel Management Limited
ABN 17 131 207 611

Results for announcement to the market

Item	Half-year		Change	
	2014 $'000	2013 $'000	$'000	%
Total transaction value (TTV)* (unaudited)	1,115,946	490,693	625,253	127.4%
Revenue	83,807	43,440	40,367	92.9%
Profit before tax	15,350	8,002	7,348	91.8%
Profit from ordinary activities after tax	11,057	5,609	5,448	97.1%
Net profit for the period attributable to owners	9,872	5,609	4,263	76.0%

*TTV, which is unaudited, represents the amount at which travel products and services have been transacted across the consolidated entity's operations whilst acting as agents for airlines and other service providers, along with other revenue streams. TTV does not represent revenue in accordance with Australian Accounting Standards. TTV is stated net of GST.

Dividend

On 10 October 2014, a fully franked final dividend for the year ended 30 June 2014 of 7.5 cents per share was paid.

On 24 February 2015, a fully franked interim dividend for the year ending 30 June 2015 of 6.0 cents per share was declared. The record date for determining entitlements to the interim dividend is 5 March 2015, with the dividend payable on 10 April 2015.

Net Tangible Assets	Half-year 2014	Half-year 2013
Net tangible asset backing per ordinary share	$1.91	$0.42

Directors' Report

The Directors present their report, together with the financial report of Corporate Travel Management Limited and its controlled subsidiaries (CTM or "the Group"), for the half-year ended 31 December 2014.

DIRECTORS

The Directors of the Group during the whole of the half-year and up to the date of this report are:

- Mr Tony Bellas.
- Mr Stephen Lonie.
- Mr Greg Moynihan.
- Mr Jamie Pherous.
- Ms Claire Gray.
- Admiral Robert J. Natter, U.S. Navy (Ret.) (appointed 5 February 2014).

OPERATING AND FINANCIAL REVIEW

Group overview

The Group continued to engage in its principal activity, being the provision of travel services, the results of which are disclosed in the following statements.

The Group continued its overseas expansion with two further acquisitions in North America during the period. The acquisition of USTravel, LLC, based in the northwest of the United States of America (USA), with principal offices in Seattle and Alaska, was completed on 1 July 2014. On 1 September 2014, the Group completed the acquisition of Avia International Travel, a travel company based in Houston, Texas. The two acquisitions increase the footprint and scale of our operations in North America which will assist in leveraging synergies and organically growing the business moving forward.

Group financial performance – half-year to 31 December 2014

Key financial metrics are summarised in the following table:

	2014 $'000	2013 $'000	Change %
Total Transaction Value (TTV) (unaudited)	1,115,946	490,693	127.4
Total revenue and other income	83,807	43,440	92.9
Earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for acquisition/non-recurring costs (unaudited)	20,208	10,408	94.2
Profit before related income tax expense	15,350	8,002	91.8
Income tax expense	(4,293)	(2,393)	79.4
Net profit after tax:			
Attributable to members	9,872	5,609	76.0
Attributable to minority interest	1,185	-	100.0
Earnings per share (EPS) basic (cents per share)	10.6 cents	7.2 cents	47.2
Net assets	199,380	132,884	50.0
Net operating cash flow	22,432	7,469	200.4

The net profit after tax of the Group attributable to owners for the half-year financial period, amounted to $9,872,000 (2013: $5,609,000).

The result was underpinned by a 127.4% increase in TTV, to $1,116m (unaudited).

EBITDA, adjusted for acquisition and non-recurring costs, grew by 94.2% to $20.208m.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Total Transaction Value (TTV) (unaudited)

TTV represents the amount at which travel products and services have been transacted across the Group's operations whilst acting as agents for airlines and other service providers, along with other revenue streams. TTV does not represent revenue in accordance with Australian Accounting Standards and is not subject to audit. TTV is stated net of GST. TTV is utilised by management as a key travel industry metric.

	2014 $'000	2013 $'000
TTV net of GST (unaudited)	1,115,946	490,693

CTM continues to maintain a strong financial position, with net current assets of $62.6m and total equity of $199.4m. At 31 December 2014, the Group had nil interest bearing debt and has continued to generate strong operating cash flows.

The business growth has been funded by a combination of operating cash flow and short term debt funding.

The Company continues to pay dividends at its stated divided policy level, with an interim dividend declared at 6.0 cents per share (2014 financial year dividend: 12 cents).

Review of underlying operations

Australia and New Zealand ("ANZ")
Revenue and other income, in the ANZ operation, increased by 12% based on a 15% increase in TTV (unaudited). The increase in TTV and revenue was a result of organic growth together with a stabilising in average ticket prices.

Encouragingly, the adjusted EBITDA margin increased from 25.1% in 2013 to 25.9% in 2014, as the region was able to generate productivity gains through improving its business processes.

North America
TTV (unaudited) in North America rose by 15% on a like for like basis. Revenue increased by 100% to $20.9m, inclusive of revenue attributable to acquisitions that occurred during the reporting period of $9m, as a result of synergies from business integration and strong organic growth.

The adjusted EBITDA margin fell slightly from 21.0% to 20.0%, due to the absorption of lower margin business from recent acquisitions. As with all other acquisitions, we expect to improve the profitability of these businesses moving forward as these new businesses implement CTM's core processes.

CTM now has operations in 18 cities in North America. The momentum and scale now in place bodes well for future growth.

Asia
For the six months ended 31 December 2014 compared to the six months ended 31 December 2013, TTV (unaudited) in Asia rose by 8% on a like for like basis, with revenue increasing by 6% to $25.9m as a result of synergies from business integration and strong organic growth. However, the yield has fallen marginally, from 6.2% in 2013 to 5.9% in 2014, as a result of a larger proportion of total volume being attributable to the lower yielding wholesale business.

Adjusted EBITDA margin, however, is strong at 24.7% which has improved from 22.5% for the six months ended 31 December 2013. This improvement is reflective of organic growth in new clients primarily across the corporate and wholesale segments and increased scale, allowing for greater absorption of the fixed cost base.

Directors' Report (continued)

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration, as required under section 307C of the Corporations Act 2001, is appended to this Directors' Report.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors.

Tony Bellas

Mr Tony Bellas
Chairman

Mr Jamie Pherous
Managing Director

Brisbane, 24 February 2015

Auditor's Independence Declaration

As lead auditor for the review of Corporate Travel Management Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Michael Shewan
Partner
PricewaterhouseCoopers

Brisbane
24 February 2015

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Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Half-year 2014 $'000	Half-year 2013 $'000
Revenue		83,807	43,440
Employee benefits expenses		(48,405)	(26,312)
Occupancy expenses		(4,938)	(1,755)
Depreciation and amortisation expenses		(2,903)	(1,384)
Information technology and telecommunications expenses		(4,056)	(2,841)
Travel and entertainment expenses		(1,346)	(764)
Administrative and general expenses		(5,907)	(2,309)
Total operating expenses		**(67,555)**	**(35,365)**
Finance costs		(902)	(73)
Profit before income tax		**15,350**	**8,002**
Income tax expense		(4,293)	(2,393)
Profit for the half-year		**11,057**	**5,609**
Profit attributable to:			
Owners of Corporate Travel Management Limited		9,872	5,609
Non-controlling interests		1,185	-
		11,057	5,609
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		13,074	617
Changes in the fair value of cash flow hedges		446	1,741
Other comprehensive income for the period, net of tax		**13,520**	**2,358**
Total comprehensive income for the half-year		**24,577**	**7,967**
Total comprehensive income for the year attributable to:			
Owners of Corporate Travel Management Limited		22,595	7,967
Non-controlling interests		1,982	-
		24,577	7,967
Earnings per share for profit attributable to the ordinary equity holders of the Company			
		Cents	Cents
- Basic earnings per share		10.6	7.2
- Diluted earnings per share		10.5	7.2

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014

	Note	31 December 2014 $'000	30 June 2014 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		81,703	32,000
Trade and other receivables		94,432	101,286
Financial assets at fair value		191	18
Other current assets		2,390	1,961
Total Current Assets		**178,716**	**135,265**
Non-Current Assets			
Property, plant and equipment		3,613	3,371
Intangible assets	6	142,371	109,031
Deferred tax assets		109	98
Total Non-Current Assets		**146,093**	**112,500**
TOTAL ASSETS		**324,809**	**247,765**
LIABILITIES			
Current Liabilities			
Trade and other payables		105,404	94,126
Income tax payable		742	2,567
Provisions		10,007	8,343
Total Current Liabilities		**116,153**	**105,036**
Non-Current Liabilities			
Trade and other payables		21	4,151
Provisions		2,350	1,766
Deferred tax liabilities		6,905	3,928
Total Non-Current Liabilities		**9,276**	**9,845**
TOTAL LIABILITIES		**125,429**	**114,881**
NET ASSETS		**199,380**	**132,884**
EQUITY			
Contributed equity	5	149,074	99,823
Other reserves		11,091	(1,944)
Retained earnings		29,532	26,449
Capital and reserves attributable to owners of Corporate Travel Management Limited		189,697	124,328
Non-controlling interests - equity		9,683	8,556
TOTAL EQUITY		**199,380**	**132,884**

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 2014

	Note	Contributed equity $'000	Retained earnings $'000	Other reserves $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2013		**47,856**	**20,250**	**1,530**	**69,636**	**-**	**69,636**
Effect of change in accounting policy *		-	(517)	-	**(517)**	-	**(517)**
Balance at 1 July 2013 (restated)		**47,856**	**19,733**	**1,530**	**69,119**	**-**	**69,119**
Profit for the half-year			5,609		**5,609**	-	**5,609**
Other comprehensive income				2,358	**2,358**	-	**2,358**
Total comprehensive income for the half-year		**-**	**5,609**	**2,358**	**7,967**	**-**	**7,967**
Transactions with owners in their capacity as owners:							
Issue of shares		729	-	-	**729**	-	**729**
Dividends declared or paid		-	(5,084)	-	**(5,084)**	-	**(5,084)**
Balance at 31 December 2013		**48,585**	**20,258**	**3,888**	**72,731**	**-**	**72,731**
Balance at 1 July 2014		99,823	26,449	(1,944)	**124,328**	8,556	**132,884**
Profit for the half-year		-	9,872	-	9,872	1,185	11,057
Other comprehensive income		-	-	12,723	12,723	797	13,520
Total comprehensive income for the half-year		-	9,872	12,723	22,595	1,982	24,577
Transactions with owners in their capacity as owners:							
Issue of shares		49,251	-	-	49,251	-	49,251
Dividends declared or paid		-	(6,789)	-	(6,789)	(855)	(7,644)
Employee share scheme				312	312	-	312
Balance at 31 December 2014		149,074	29,532	11,091	189,697	9,683	199,380

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 2014

	Note	Half-year 2014 $'000	Half-year 2013 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		100,974	53,325
Payments to suppliers and employees (including GST)		(72,838)	(44,133)
Interest received		57	124
Finance costs		(261)	(267)
Income tax paid		(5,500)	(1,580)
Net cash flows from operating activities		**22,432**	**7,469**
Cash flows from investing activities			
Payment for plant and equipment		(553)	(348)
Payment for software	6	(1,094)	(585)
Proceeds from sale of plant and equipment		-	-
Purchase of controlled entities, net of cash acquired	6	(9,350)	(2,295)
Net cash flows used in investing activities		**(10,997)**	**(3,228)**
Cash flows from financing activities			
Proceeds from borrowings		20,700	9,767
Repayments of borrowings		(20,700)	(12,746)
Proceeds from issue of new shares, net of transaction costs		44,214	-
Dividends paid	4	(6,789)	(5,084)
Net cash flows used in financing activities		**37,425**	**(8,063)**
Net increase in cash and cash equivalents		48,860	(3,822)
Cash and cash equivalents at the beginning of the half-year		31,999	13,535
Exchange rate variations on foreign cash balances		844	97
Cash and cash equivalents at the end of the half-year		**81,703**	**9,810**

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

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1. Significant changes in the current reporting period

The financial position and performance of the Group, and the comparability of the prior period, has been particularly affected by the following events and transactions during the six months to 31 December 2014:

- New business acquisitions:
  - 100% of the shares in USTravel, LLC as at 1 July 2014; and
  - 100% of the shares in Avia International Travel, LLC as at 1 September 2014.
- Capital raising of $45.5m to fund the acquisitions of Chambers Travel Group Limited and Diplomat Travel Services, the purchases of which were settled on 2 January 2015.

2. SEGMENT REPORTING

(a) Description of segments

The operating segments are based on the reports reviewed by the Group of key senior managers that comprise the Steering Committee which makes strategic decisions.

The Chief Operating Decision Makers ("CODM") are considered to be Jamie Pherous (Managing Director) and Steve Fleming (Chief Financial Officer).

The CODM considers, organises and manages the business from a geographic perspective. Since the acquisition of Westminster Travel (refer Note 7), the CODM has identified three reportable segments being Travel Services Australia and New Zealand, Travel Services North America and Travel Services Asia.

There are currently no non-reportable segments.

(b) Segment information provided to the Chief Operating Decision Makers

The CODM assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of the costs of acquisitions and any acquisition related adjustments during the year.

The segment information provided to the CODM for the reportable segments for the half-year ended 31 December 2014 is as follows:

2. SEGMENT REPORTING (continued)

(b) Segment information provided to the Chief Operating Decision Makers (continued)

December 2014	Travel Services Australia & New Zealand $'000	Travel Services North America $'000	Travel Services Asia $'000	Unallocated/ Eliminated $'000	Total $'000
Revenue from the sale of travel services	36,012	20,873	25,965	-	82,850
Revenue from other sources	3,292	39	(14)	(2,360)	957
Revenue from external parties	**39,304**	**20,912**	**25,951**	**(2,360)**	**83,807**
Adjusted EBITDA	**11,464**	**4,393**	**6,540**	**(2,189)**	**20,208**
Interest revenue	225	-	2	(171)	56
Interest expense	784	305	-	(171)	918
Depreciation and amortisation	1,237	919	747	-	2,903
Income tax expense	1,905	1,324	1,064	-	4,293
Total segment assets	**201,272**	**79,811**	**139,240**	**(95,514)**	**324,809**
Total assets includes:					
Non-current assets					
- Plant and equipment	2,184	605	824	-	3,613
- Intangibles	44,275	58,756	39,340	-	142,371
Total segment liabilities	**25,799**	**74,604**	**71,635**	**(46,609)**	**125,429**
December 2013					
Revenue from the sale of travel services	32,507	10,450	-	-	42,957
Revenue from other sources	599	1	-	(117)	483
Revenue from external parties	**33,106**	**10,451**	**-**	**(117)**	**43,440**
Adjusted EBITDA	**8,321**	**2,043**	**-**	**44**	**10,408**
Interest revenue	285	-	-	(161)	124
Interest expense	373	(139)	-	(161)	73
Depreciation and amortisation	1,101	283	-	-	1,384
Income tax expense	1,775	618	-	-	2,393
Total segment assets	**91,697**	**37,100**	**-**	**(19,678)**	**109,119**
Total assets includes:					
Non-current assets					
- Plant and equipment	2,837	95	-	-	2,932
- Intangibles	44,035	32,354	-	-	76,389
Total segment liabilities	**2,725**	**55,002**	**-**	**(21,856)**	**35,871**

2. SEGMENT REPORTING (continued)

(b) Other segment information

(i) Segment Revenue

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the Statement of Comprehensive Income.

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia and other countries is included in the following table. Segment revenues are allocated based on the location of the CTM offices rather than by client location or travel destination.

No clients are deemed to be major clients for the purpose of disclosing any reliance on major customers.

	Half-year 2014 $'000	Half-year 2013 $'000
Australia	38,616	32,374
North America	20,912	10,451
New Zealand	688	732
Hong Kong	24,107	-
Singapore	1,844	-
Unallocated/eliminated	(2,360)	(117)
Revenue from external customers	**83,807**	**43,440**

(ii) Adjusted EBITDA

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	Half-year 2014 $'000	Half-year 2013 $'000
Adjusted EBITDA	**20,208**	**10,408**
Interest revenue	56	124
Finance costs	(902)	(73)
Depreciation	(1,570)	(617)
Amortisation	(1,333)	(767)
Non-recurring costs	(1,109)	(1,073)
Profit before income tax from continuing operations	**15,350**	**8,002**

(iii) Segment assets

The amounts provided to the CODM with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

2. SEGMENT REPORTING (continued)

(b) Other segment information (continued)

(iii) Segment assets (continued)

The total of non-current assets located in Australia and other countries is included in the following table.

	Half-year 2014 $'000	Half-year 2013 $'000
Australia	141,362	65,736
North America	59,361	32,449
Hong Kong	40,273	-
New Zealand	838	814
Unallocated/Eliminated	(95,741)	(19,678)
Non-current assets	**146,093**	**79,321**

3. PROFIT AND LOSS INFORMATION

(a) Income tax

Income tax expense is recognised based on management's estimate of a weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2014 is 28.0%, compared to 29.9% for the six months ended to 31 December 2013. The lower tax rate in the current year is the result of the inclusion of the Westminster Group for the first time in the interim accounts. The Westminster Group includes entities located in various Asian jurisdictions with comparably low corporate tax rates.

4. DIVIDENDS

	Half-year 2014 $'000	Half-year 2013 $'000
Ordinary shares		
Dividend paid during the half-year	6,789	5,084

5. EQUITY SECURITIES ISSUED

	Number of shares	$'000
Opening balance as at 1 July 2014	89,890,763	99,823
Shares issued (a)	40,614	260
Shares issued (b)	170,650	1,305
Shares issued (c)	109,770	840
Shares issued (d)	305,825	2,340
Shares issued (e)	5,176,046	45,549
Less: Transaction costs arising on share issue		(1,335)
Deferred tax credit recognised directly in equity		292
Closing balance as at 31 December 2014	95,693,668	149,074

5. EQUITY SECURITIES ISSUED (continued)

(a) A total of 40,614 shares were issued on 2 July 2014 as part of the initial consideration for the USTravel Alaska, LLC. business combination – refer note 7.

(b) A total of 170,650 shares were issued on 3 September 2014, as part of the contingent consideration payment for the TravelCorp LLC business combination.

(c) A total of 109,770 shares were issued on 3 September 2014, as part of the contingent consideration payment for the R&A Travel Inc. business combination.

(d) A total of 305,825 shares were issued on 3 September 2014 as part of the initial consideration for the Avia International Travel business combination – refer note 7.

(e) A total of 5,176,046 shares were issued on 31 December 2014, primarily to be used for the proposed acquisitions of Chambers Travel Group Limited and Diplomat Travel Services.

6. INTANGIBLE ASSETS

	Client contracts and relationships $'000	Intellectual property $'000	Software $'000	Goodwill $'000	Total $'000
December 2014					
Cost	18,908	239	5,062	124,155	148,364
Accumulated amortisation	(3,167)	(125)	(2,487)	(214)	(5,993)
	15,741	**114**	**2,575**	**123,941**	**142,371**
At 1 July, net of accumulated amortisation	12,478	99	2,194	94,260	109,031
Additions	-	-	1,094	-	1,094
Additions through the acquisition of entities/businesses (Note 7)	2,225	-	55	19,045	21,325
Transfers/reallocations	-	-	-	-	-
Disposals	-	-	-	-	-
Amortisation charge for the year	(1,318)	(15)	(726)	-	(2,059)
Change due to changes in foreign currency exchange rates	2,356	30	(42)	10,636	12,980
At 31 December, net of accumulated amortisation	**15,741**	**114**	**2,575**	**123,941**	**142,371**
December 2013					
Cost	1,800	189	3,277	73,929	79,195
Accumulated amortisation	(1,313)	(115)	(1,162)	(216)	(2,806)
	487	**74**	**2,115**	**73,713**	**76,389**
At 1 July, net of accumulated amortisation	759	79	2,000	72,876	75,714
Additions	38	-	585	-	623
Additions through the acquisition of entities/businesses (Note 7)	-	-	-	-	-
Transfers to intangibles	-	-	-	-	-
Amortisation charge for the year	(292)	(5)	(470)	-	(767)
Change due to changes in foreign currency exchange rates	(18)	-	-	837	819
At 31 December, net of accumulated amortisation	**487**	**74**	**2,115**	**73,713**	**76,389**

7. BUSINESS COMBINATIONS

a) Current Period

USTravel Alaska, LLC. ("UST")

On 1 July 2014, the Group acquired 100% of the shares of USTravel Alaska, LLC ("UST"), a travel company based in Alaska and the Pacific Northwest (PNW) in America. The initial cost of the acquisition was $5,551,702 (US $5,250,000), paid in both cash $5,291,336 (US $5,004,572) and shares $260,336 (US $245,428), with further contingent consideration payable at 31 August 2015, as set out in this Note.

The potential undiscounted amounts of future payments that the Group could be required to make, in cash and shares, based on the financial criteria relating to the earn-out period, is as follows:

- A multiple of NPBT for the period 1 July 2014 to 30 June 2015, with the maximum payment being a capped value of $2,907,591 (US $2,750,000).

At the acquisition date, the projected result for the earn-out period, from 1 July 2014 to 30 June 2015, was assessed to determine the acquisition date fair value of this contingent consideration, as set out in the following table. Any subsequent adjustment to the final contingent consideration, based on actual results as at 30 June 2015, will be reflected in The Statement of Comprehensive Income.

	$'000
Purchase consideration:	
Initial cash and shares paid/payable *	5,551
Acquisition date fair value contingent consideration – earn-out **	2,907
Total acquisition date fair value consideration	8,458

* $5,291,336 (US $5,004,572) in cash and $260,336 (US $245,428) in shares paid on 2 July 2014.

** The contingent consideration has been accrued in the balance sheet within the Trade and other payables classification. Management has not changed its expectation of contingent consideration payable, which totals $2,907,591 (US $2,750,000) at acquisition date.

7. BUSINESS COMBINATIONS (continued)

a) Current Period (continued)

USTravel Alaska, LLC. (“UST") (continued)

The provisional fair values of the assets and liabilities of the US Travel Inc. business, acquired as at the date of acquisition, are as follows:

Item	Fair value $’000
Cash and cash equivalents	3,511
Trade and other receivables	5,367
Other current assets	115
Property, plant and equipment	353
Intangible assets: Client contracts and relationships	1,182
Trade and other payables	(12,578)
Deferred revenue	(428)
Income tax payable	18
Net identifiable assets/(liabilities) acquired	(2,460)
Goodwill on acquisition	10,918
Net assets acquired	8,458

The consideration payable for the combination effectively includes amounts in relation to the benefit of expected synergies, revenue growth and the assembled workforce of the acquiree, which has resulted in goodwill of $10,918,000 (US $10,327,000). The full value of the goodwill and client intangibles is expected to be tax deductible for USA tax purposes.

(i) Acquisition costs

Acquisition-related costs of $40,848 (US $35,203) are included in other expenses in The Statement of Comprehensive Income.

(ii) Acquired receivables

The fair value of the acquired trade receivables is $5,367,318 (US $5,076,410). The gross contractual amount for trade receivables due is $5,545,518 (US $5,244,950), of which $178,199 (US $168,541) is expected to be uncollectable.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $6,821,000 (US $6,108,000) and net profit after tax of $1,357,000 (US $1,245,000) to the Group for the period 1 July 2014 to 31 December 2014.

7. BUSINESS COMBINATIONS (continued)

a) Current Period (continued)

USTravel Alaska, LLC. ("UST") (continued)

Purchase consideration – cash outflow:
Outflow of cash to acquire subsidiary, net of cash acquired:

Purchase consideration	**$'000**
Cash consideration	
Initial cash consideration	5,291
Less:	
Cash balances acquired	(3,511)
Outflow of cash – investing activities	**1,780**

Avia International Travel ("Avia")

On 1 September 2014, the Group acquired 100% of the shares of Avia International Travel. ("Avia"), a company based in Houston, Texas. The initial cost of the acquisition was $4,558,947 (US $4,125,000), paid in both cash $2,219,412 (US $2,062,500) and shares $2,339,561 (US $2,062,500), with further contingent consideration payable at 30 November 2015, as set out in this Note.

The potential undiscounted amounts of future payments that the Group could be required to make, in cash and shares, based on the financial criteria relating to the earn-out period, is as follows:

- A multiple of NPBT for the period 1 September 2014 to 31 August 2015, with the maximum payment being a capped value of $5,245,884 (US $4,875,000) minus the adjustment for the final working capital amount in relation to the target working capital of $258,807 (US $240,509).

At the acquisition date, the projected results for the earn-out period, ending 31 August 2015, was assessed to determine the acquisition date fair value of this contingent consideration, as set out in the following table. Any subsequent adjustment to the final contingent consideration, based on actual results as at 31 August 2015, will be reflected in The Statement of Comprehensive Income.

Purchase consideration:	
Initial cash and shares paid/payable *	4,559
Acquisition date fair value contingent consideration – earn-out **	5,246
Working capital adjustment	(259)
Total acquisition date fair value consideration	9,546

* $2,219,412 (US $2,062,500) in cash and $2,339,561 (US $2,062,500) in shares paid on 2 September 2014.

** The contingent consideration has been accrued in the balance sheet within the Trade and other payables classification. Management has not changed its expectation of contingent consideration payable, which totals $5,245,884 (US $4,875,000) less a working capital adjustment value of $258,507 (US $240,509).

7. BUSINESS COMBINATIONS (continued)

a) Current Period (continued)

Avia International Travel (“Avia”) (continued)

The provisional fair values of the assets and liabilities of Avia International Travel, acquired as at the date of acquisition, are as follows:

Item	Fair value $’000
Cash and cash equivalents	206
Trade and other receivables	560
Other current assets	147
Intangible assets: Client contracts and relationships	1,043
Client creditors	(164)
Other payables and provisions	(372)
Net identifiable assets/(liabilities) acquired	**1,420**
Goodwill on acquisition	8,126
Net assets acquired	**9,546**

The consideration payable for the combination effectively includes amounts in relation to the benefit of expected synergies, revenue growth and the assembled workforce of the acquiree, which has resulted in goodwill of $8,126,000 (US $7,552,000). The full value of the goodwill and client intangibles is expected to be tax deductible for USA tax purposes.

(i) Acquisition costs

Acquisition-related costs of $79,268 (US $69,815) are included in other expenses in The Statement of Comprehensive Income.

(ii) Acquired receivables

The fair value of the acquired trade receivables is $559,999 (US $507,722). The gross contractual amount for trade receivables due is $559,999 (US $507,722) of which $NIL is expected to be uncollectable.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $2,006,000 (US $1,744,000) and net profit after tax of $692,000 (US $613,000) to the Group for the period 1 September 2014 to 31 December 2014. If the acquisition had occurred on 1 July 2014, consolidated revenue and net profit after tax for the half-year ended 31 December 2014, would have been $3,009,000 (US $2,616,000) and $1,038,000 (US $919,500) respectively.

7. BUSINESS COMBINATIONS (continued)

a) Current Period (continued)

Avia International Travel ("Avia") (continued)

Purchase consideration – cash outflow:
Outflow of cash to acquire subsidiary, net of cash acquired:

Purchase consideration	**$'000**
Cash consideration	
Initial cash consideration	2,219
Less: Cash balances acquired:	(206)
Outflow of cash – investing activities	**2,013**

b) Prior period

On 29 January 2014, the Group acquired 75.1% of the shares in Wealthy Aim Investments Limited ("Westminster Travel"), an Asian based travel management company. Details of the business combination were disclosed in note 23 of the Group's Annual Financial Statements for the year ended 30 June 2014.

8. EVENTS OCCURING AFTER THE REPORTING PERIOD

Other than the following items, there have been no other matters, or circumstances, not otherwise dealt with in this report, that will significantly affect the operation of the Group, the results of those operations or the state or affairs of the Group or subsequent financial years.

Two significant acquisitions were finalised post 31 December 2014 as follows:

(a) Chambers Travel Group Limited, UK acquisition
The acquisition of 100% of the shares of Chambers Travel Group Limited (Chambers), a travel management company headquartered in London, with operations in England, Scotland, France, Germany, The Netherlands, Switzerland, Sweden and the Czech Republic, was completed on 2 January 2015.

As part of this transaction, an initial consideration of $44,773,288 (GBP 23,600,000) was paid via a mixture of cash and CTM Limited shares. This cash consideration was funded through a capital raising rights issue of 2 is to 35.

A further contingent consideration, payable in a mixture of cash and CTM Limited shares, of up to $29,216,467 (GBP 15,400,000) is payable in three tranches as follows:

- Tranche 1 is payable based on Chambers achieving annual profit before tax earnings of greater than $5,596,661 (GBP 2,950,000) by 31 December 2016 based on a 5.5 times multiplier;
- Tranche 2 is payable based on the excess Chambers achieves on the annual profit before tax earnings from calendar year 2016 to calendar year 2017 based on a 5.5 times multiplier; and
- Tranche 3 is payable based on the excess Chambers achieves on the annual profit before tax earnings from calendar year 2017 to calendar year 2018 based on a 5.5 times multiplier.

8. EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)

(b) Diplomat Travel Services acquisition

The acquisition of 100% of the shares of Diplomat Travel Services (Diplomat), a travel management company headquartered in Washington DC, USA was completed on 2 January 2015.

As part of this transaction, an initial consideration of $9,239,210 (US $7,578,000) was paid via a mixture of cash and CTM Limited shares. This cash consideration was funded through a capital raising rights issue of 2 is to 35.

A further contingent consideration payment of up to $2,343,331 (US $1,922,000) may also be payable on 31 March 2016, based on Diplomat achieving annual profit before tax targets and other business development targets.

Due to the recent timing of the acquisitions, CTM has not yet made a provisional calculation of the net identifiable assets or purchased goodwill. The financial effects of the transactions have not been brought to account at 31 December 2014.

9. RELATED PARTY DISCLOSURE

Transactions with Directors and Director related entities

During the half-year, $166,306 has been paid to a party related to CTM's Managing Director, Mr Jamie Pherous, for rent and outgoings in relation to an office lease.

Directors of the Group hold other directorships as detailed in the Directors' Report of the Group's annual financial statements for the year ended 30 June 2014. Where any of these related entities are clients of the Group, the arrangements are on similar arms length terms to other clients.

10. FAIR VALUE MEASUREMENT

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Derivative financial instruments
- Contingent consideration.

Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level according to the following hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following information represents the Group's assets and liabilities measured and recognised at fair value at 31 December 2014 and 30 June 2014:

Assets: Level 2 – Forward exchange contract $172,929 (30 June 2014: $NIL).

Liabilities: Level 3 – Contingent consideration $9,346,880 (30 June 2014: $57,000).

Fair value measurements using significant unobservable inputs (level 3)

10. FAIR VALUE MEASUREMENT (continued)

The following table presents the changes in level 3 instruments for the half-year ended 31 December 2014:

	Contingent Consideration $'000
Opening balance 1 July 2014	**57**
Additions	9,297
Paid out (cash and shares)	(16)
Movements recognised in other comprehensive income and finance costs	9
Closing balance 31 December 2014	**9,347**

There were also no changes made to any of the valuation techniques applied as of 31 December 2014.

Valuation inputs and relationships to fair value quantitative information about the significant unobservable inputs used in level 3 fair value measurements is summarised as follows:

Description:	Contingent consideration.
Fair Value at 31 December 2014:	$9,346,880.
Valuation technique used:	Discounted cash flows.
Unobservable inputs:	Forecast EBITDA.
Discount rate:	3.65%.

Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For these instruments, their carrying value was considered to be a reasonable approximation of their fair value.

Due to their short-term nature, the carrying amounts of the current receivables, current payables and current borrowings are assumed to approximate their fair value.

Valuation processes

The Group's finance department performs the valuations of assets required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO, AC, and the finance team at least once every six months, in line with the Group's reporting dates.

11. Basis of preparation for the half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2014 and any public announcements made by Corporate Travel Management Limited during the interim reporting period, in accordance with the continuous disclosure requirements of the Corporations Act 2001.

11. Basis of preparation for the half-year report (continued)

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period, except as set out as follows:

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.

(b) Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for the half-year reporting period ending 31 December 2014 and have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out in the following table.

Title of Standard	Nature of Change	Impact	Mandatory application date / Date of adoption by the Group
AASB 9 Financial Instruments	AASB 9 sets out new rules for hedge classification, remeasurement and de-recognition.	The new hedging rules align hedge accounting closely with the Group's risk management practices. As a general rule, it will be easier to apply hedge accounting in the future. The new standard also introduces expanded disclosure requirements and changes in presentation. The Group is still considering its full impact.	Mandatory for financial years commencing on or after 1 January 2017. Expected date of adoption by the Group: 1 July 2017.
AASB 15 Revenue from contracts with customers	The new revenue recognition standard states that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price.	The Group has not yet considered the impact of the new rules on its revenue recognition policies. It will undertake a detailed assessment in the near future.	Mandatory for financial years commending on or after 1 January 2017. Expected date of adoption by the Group: 1 July 2017.

Directors' Declaration

In the Directors’ opinion:

(a) The financial statements and notes set out on pages 8 to 24 are in accordance with the Corporations Act 2001, including:

(i) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) Giving a true and fair view of the consolidated entity’s financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Tony Bellas

Mr Tony Bellas
Chairman

Mr Jamie Pherous
Managing Director

Brisbane, 24 February 2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Corporate Travel Management Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Corporate Travel Management Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Corporate Travel Management Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

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a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan
Partner

Brisbane
24 February 2015