Corporate Travel Management

ABN 17 131 207 611

Interim Report

31 December 2016

Corporate Travel Management Limited

ABN 17 131 207 611

Registered Office:
Level 24, 307 Queen Street
Brisbane Queensland 4000

Interim Financial Report – 31 December 2016

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APPENDIX 4D

Corporate Travel Management (CTD)

Results for announcement to the market

	Half year			
	December 2016 $'000	December 2015 $'000	Change $'000	Change %
Total transaction value (TTV) [1]	1,870,198	1,722,668	147,530	9%
Revenue and other income	150,469	119,690	30,779	26%
Profit before tax	31,984	24,800	7,184	29%
Profit from ordinary activities after tax	23,843	19,153	4,690	24%
Net profit for the period attributable to members	22,133	17,289	4,844	28%
Earnings per share				
- Basic (cents per share)	22.1	17.8	4.3	24%
- Diluted (cents per share)	21.9	17.7	4.2	24%

[1]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

30 June 2017	Amount per Share Cents	100% Franked Amount Cents
Interim dividend [2]	12.0	12.0
30 June 2016		
Interim dividend	9.0	9.0
Final dividend [3]	15.0	15.0

[2] The record date for determining the interim dividend of 12 cents per share is 9 March 2017, with the dividend payable on 12 April 2017.
[3] The final dividend for the financial year ended 30 June 2016 of 15.0 cents per share was paid on 6 October 2016.

Net tangible assets per security

	2016 $	2015 $
Net tangible asset backing per ordinary share	2.54	1.97

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 2016.

Directors

The following persons were Directors of Corporate Travel Management Limited during the whole of the financial period and up to the date of this report;

- Tony Bellas;
- Jamie Pherous;
- Stephen Lonie;
- Greg Moynihan;
- Admiral Robert J. Natter, U.S. Navy (Ret.); and
- Laura Ruffles.

Review of operations

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 financial statements.

Further acquisitions

On 1 July 2016, the Group continued its expansion into the North American market with the acquisition of 100% of the shares of All Performance Associates, Inc., Business Travel, Inc., and Travizon, Inc., which make up Travizon Travel, a travel management group headquartered in Boston MA, USA. With the acquisition of Travizon Travel, the Group has extended its coverage of the USA East Coast. The consideration was paid by a combination of cash, and CTM shares, with the cash component funded through short term debt and working capital.

Subsequent to balance date, CTM acquired 100% of the shares of Redfern Travel and Andrew Jones Travel Pty Ltd, both with effect from 1 February 2017. Redfern is a leading UK Travel Management Company (TMC) headquartered in Bradford, UK. Andrew Jones Travel is recognised as the leading TMC in Tasmania, with over 30 years' experience in this market, based in Hobart.

Group financial performance – half year ending 31 December

CTM's key financial metrics are summarised in the following table:

	2016	**2015**	**Change**
	$'000	**$'000**	**%**
Total Transaction Value (TTV) (unaudited)	1,870,198	1,722,668	9%
Total revenue and other income	150,469	119,690	26%
Earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for acquisition / non-recurring costs (adjusted EBITDA)	40,434	27,982	45%
Profit before related income tax expense	31,984	24,800	29%
Income tax expense	(8,141)	(5,647)	44%
Net profit after tax:			
Attributable to members	22,133	17,289	28%
Attributable to minority interest	1,710	1,864	(8)%
Earnings per share (EPS) basic (cents per share)	22.1 cents	17.8 cents	24%
Total dividends paid/proposed in relation to financial period	14,928	9,712	54%
Net assets	300,316	250,018	20%
Net operating cash flow	42,415	42,852	(1)%

Directors' Report (continued)

Review of operations (continued)

Refer Note 1 for the reconciliation to profit before income tax from continuing operations.

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 was significantly affected by steep ticket price declines, especially Asia, and negative foreign exchange movements to the Australia dollar. The business model derives the vast majority of revenue from transactional volume growth, not ticket prices. Transaction volume rose significantly as we are winning market share, which is reflected in the 25.7% growth in revenue.

	2016 $'000	2015 $'000
TTV net of GST (unaudited)	1,870,198	1,722,668
Revenue and other income	150,469	119,690

Financial performance

The net profit after tax attributable to the owners of CTM for the half year financial period, amounted to $22.1 million (2015: $17.3 million).

EBITDA, adjusted for acquisition and other non-recurring costs ('adjusted EBITDA'), grew by 44.5% to $40.4 million, with the following Note 1 in the Financial Statements setting out the reconciliation to profit before income tax from continuing operations. Although recent acquisitions have contributed to this growth, importantly, over 29% of the adjusted EBITDA increase has resulted from organic growth. Market adoption of CTM's SMART technology program and further expansion of the CTM's global network were considered to be key contributing factors.

CTM continues to maintain a strong financial position with net assets of $300.3 million. At 31 December 2016, the Group had $45.4 million in borrowings, which partially funded the Montrose Travel acquisition in the first half.

Current trade and other payables increased during the period. Included within the current trade and other payables, are the following key payables relating to acquisitions:

- Travizon travel acquisition payable $20.7 million;
- Montrose travel consideration $37.6 million; and
- Portion of Chambers travel contingent consideration that has been transferred to acquisition payable as deferred consideration $8.7million.

As a result of the classification of payables, the Consolidated Statement of Financial Position for the Group shows a net current liability position of $22.9 million, due to $71.6 million of acquisition and contingent consideration payables, included within current liabilities, which are due to be paid within the next 12 months. These payments will be funded through a mixture of working capital and debt from the available facilities. Adjusted for these payables, the working capital balance would be net current asset position of $48.7 million. Refer note 6 Trade and other payables and note 7 Borrowings.

CTM's business growth has been funded through a combination of operating cash flow and short term debt. In addition to the Travizon Travel business acquisition, there has been further deferred acquisition payments from prior acquisitions of $4.0 million and capital expenditure of $4.8 million during the half year, which have been funded from operating cash flow.

During the half year ending 31 December 2016, the Group entered into three GBP forward exchange contracts, to hedge the payment for the acquisition of Redfern Travel (acquired with effect from 1 February 2017) and the future deferred consideration payments for Chris Thelen, as a part of the Chambers acquisition. Refer note 9.

Review of operations (continued)

Financial performance (continued)

The Company continues to pay dividends at its stated divided policy level, with an interim dividend declared at 12 cents per share (2016 interim dividend: 9.0 cents per share). This dividend represents an interim payout ratio of 57%.

Review of underlying operations

Australia and New Zealand ("ANZ")
TTV (unaudited) rose by 7.7% to $449.6 million for the half year ended 31 December 2016. The region grew despite the challenging environment, in particular, the 6% decline in average ticket prices, as it was able to more than offset this revenue impact through continued market share growth and client retention.

Revenue grew by 12.1% to $41.7 million for the six months ended 31 December 2016. The increased revenue has flowed through to the adjusted EBITDA, which rose by 22.6% to $15.7 million, with an improved margin of 37.6%, which is up from 34.3% in the prior comparative period. The margin expansion was due to seamless end to end automation and integration with travel consultants and further absorption of the fixed cost base due to top line growth. The results of the acquired Andrew Jones Travel will be incorporated into the ANZ region from 1 February 2017.

North America
TTV (unaudited) rose by 88.8% to $619.1 million and revenue rose 129.2% to $60.4 million as a result of new business wins and inclusion of the Travizon Travel acquisition from 1 July 2016.

The improved top line margin percentage is primarily due to revenue synergies provided by the combined business. The adjusted EBITDA rose by 254.0% to $16.3 million and the adjusted EBITDA margin improved from the 17.4% result for the half year ended December 2016 to 26.9%, due to:

- Increase revenue margin as noted;
- Strong organic growth, which accounted of circa 54.0% of the region's growth; and
- Building a highly competent management team that is executing on all fronts, including winning market share, improved productivity, scale impacts, M&A execution integration and, Loyalty business growth.

The result was particularly encouraging given the currency depreciation and effect of the US election on general economic activity.

Asia
The operation in Asia contributed $638.6 million in TTV (unaudited) and revenue declined 14.3% to $29.8 million for the half year ended 31 December 2016. The underlying EBITDA was 14.3% down on the prior comparative period, largely due to a fall in ticket prices of approximately 16%, which had a negative impact on supplier revenues in the wholesale business. Encouragingly, however, the EBITDA margin was maintained at 31.3% as the business benefited from productivity gains through enhanced automation.

The underlying business has continued to grow with circa 10% increase in transactions. During the period, however, the region did sell the non-core legacy packaged travel business, as CTM looks to focus on its corporate, b2b and b2c opportunities. Specifically, the Group sold its share of ownership in Wincastle Travel (HK) Limited during the half year ending 31 December 2016 with a gain from sale of $0.9 million recorded in the first half.

Europe
The operation in Europe contributed $162.9 million in TTV (unaudited) and $16.8 million in revenue for the half year ended December 2016. The adjusted EBITDA margin is 22.8%. Despite the currency impact of a weakening GBP, the adjusted EBITDA grew 40.6%, benefiting from productivity initiatives and top line growth. On a constant currency basis, revenue increased by 16.0% and adjusted EBITDA increase by 78.0% over the previous comparative period. The acquisition of Redfern Travel, on 1 February 2017, will contribute for 5 months in the second half of 2017.

Directors' Report (continued)

Events since the end of the financial year

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.

The Group acquired 100% of the shares of Redfern Travel and Andrew Jones Travel Pty Ltd, both with effect from 1 February 2017. Redfern is a leading UK Travel Management Company (TMC) headquartered in Bradford, UK. Andrew Jones Travel is recognised as the leading TMC in Tasmania, with over 30 years' experience in this market.

For the acquisition of Redfern Travel, an initial consideration of $67,888,663 (GBP 40,000,000) was paid through a mixture of cash ($54,310,930) and Corporate Travel Management Limited shares ($13,577,733). Further consideration payment of up to $16,972,165 (GBP $10,000,000) may also be payable, contingent on the achievement of future agreed performance hurdles.

The total consideration for the Andrew Jones Travel acquisition of $5,625,000 was paid through $4,625,000 in cash and $1,000,000 in Corporate Travel Management Limited shares.

Due to the timing of the acquisitions, CTM has not yet finalised the 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 2016.

These two acquisitions, were fully funded by a renounceable entitlement offer, which was completed on 20 January 2017 and was successful in raising approximately $71.1 million. The entitlement offer was fully underwritten and the allotment of 4,744,475 shares took place on 24 January 2017.

Auditor's 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 Group 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 2017

Auditor's Independence Declaration

As lead auditor for the review of Corporate Travel Management Limited for the half-year ended 31 December 2016, 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 2017

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2016

	Note	Half year 2016 $'000	Half year 2015 $'000
Revenue		149,094	116,898
Other income		1,375	2,792
Total revenue and other income		**150,469**	**119,690**
Operating expenses			
Employee benefits		(82,854)	(68,342)
Occupancy		(6,630)	(6,786)
Depreciation and amortisation		(6,885)	(4,914)
Information technology and telecommunications		(9,515)	(6,079)
Travel and entertainment		(2,870)	(2,215)
Administrative and general		(8,467)	(5,845)
Total operating expenses		**(117,221)**	**(94,181)**
Finance costs		(1,264)	(709)
Profit before income tax		**31,984**	**24,800**
Income tax expense	3	(8,141)	(5,647)
Profit for the half year		**23,843**	**19,153**
Profit attributable to:			
Owners of Corporate Travel Management Limited		22,133	17,289
Non-controlling interests		1,710	1,864
		23,843	**19,153**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		3,217	5,417
Changes in the fair value of cash flow hedges		557	-
Other comprehensive income for the half year, net of tax		**3,774**	**5,417**
Total comprehensive income for the half year		**27,617**	**24,570**
Total comprehensive income for the half year attributable to:			
Owners of Corporate Travel Management Limited		24,754	21,676
Non-controlling interests		2,863	2,894
		27,617	**24,570**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company			
- Basic (cents per share)		22.1	17.8
- Diluted (cents per share)		21.9	17.7

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 2016

	Note	December 2016 $'000	June 2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents		96,697	81,178
Trade and other receivables		142,231	168,130
Other current assets		6,721	4,918
Total current assets		**245,649**	**254,226**
Non-current assets			
Plant and equipment		4,597	5,426
Intangible assets	5	361,261	309,464
Deferred tax assets		2,432	2,405
Total non-current assets		**368,290**	**317,295**
TOTAL ASSETS		**613,939**	**571,521**
LIABILITIES			
Current liabilities			
Trade and other payables	6	225,387	202,720
Borrowings	7	26,782	14,347
Income tax payable		4,287	7,663
Provisions		12,054	12,563
Total current liabilities		**268,510**	**237,293**
Non-current liabilities			
Trade and other payables	6	13,857	29,522
Borrowings	7	18,596	22,833
Provisions		4,588	4,745
Deferred tax liabilities		8,072	5,543
Total non-current liabilities		**45,113**	**62,643**
TOTAL LIABILITIES		**313,623**	**299,936**
NET ASSETS		**300,316**	**271,585**
EQUITY			
Contributed equity	8	196,131	175,231
Reserves		18,409	17,787
Retained earnings		71,007	63,802
Capital and reserves attributed to owners of the company		**285,547**	**256,820**
Non-controlling interests – equity		14,769	14,765
TOTAL EQUITY		**300,316**	**271,585**

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 2016

	Note	Contributed Equity $'000	Retained Earnings $'000	Other Reserves $'000	Total $'000	Non-Controlling Interests $'000	Total Equity $'000
Balance at 30 June 2015		**161,675**	**40,207**	**21,609**	**223,491**	**12,420**	**235,911**
Profit for the half year as reported in 2015 financial statements		-	17,289	-	17,289	1,864	19,153
Other comprehensive income (net of tax)		-	-	4,387	4,387	1,030	5,417
Total comprehensive income for the half year		**-**	**17,289**	**4,387**	**21,676**	**2,894**	**24,570**
Transactions with owners in their capacity as owners:							
Shares issued		2,091	-	-	2,091	-	2,091
Dividends paid		-	(9,712)	-	(9,712)	(2,444)	(12,156)
Share based payments		-	-	(398)	(398)	-	(398)
		2,091	**(9,712)**	**(398)**	**(8,019)**	**(2,444)**	**(10,463)**
Balance at 31 December 2015		**163,766**	**47,784**	**25,598**	**237,148**	**12,870**	**250,018**
Balance at 30 June 2016		**175,231**	**63,802**	**17,787**	**256,820**	**14,765**	**271,585**
Profit for the period as reported in 2016 financial statements		-	22,133	-	22,133	1,710	23,843
Other comprehensive income (net of tax)		-	-	2,621	2,621	1,153	3,774
Total comprehensive income for the half year		**-**	**22,133**	**2,621**	**24,754**	**2,863**	**27,617**
Transactions with owners in their capacity as owners:							
Shares issued	8	20,900	-	-	20,900	-	20,900
Dividends paid		-	(14,928)	-	(14,928)	(2,859)	(17,787)
Share based payments		-	-	(1,999)	(1,999)	-	(1,999)
		20,900	**(14,928)**	**(1,999)**	**3,974**	**(2,859)**	**1,115**
Balance at 31 December 2016		**196,131**	**71,007**	**18,409**	**285,547**	**14,769**	**300,316**

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 2016

	Note	Half year 2016 $'000	Half year 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		178,484	145,565
Payments to suppliers and employees (inclusive of GST)		(124,283)	(94,808)
Transaction costs relating to acquisition of subsidiary		(153)	-
Interest received		69	86
Finance costs		(652)	(204)
Income tax (paid) / received		(11,050)	(7,787)
Net cash flows from operating activities		**42,415**	**42,852**
Cash flows from investing activities			
Payment for plant and equipment		(551)	(2,730)
Payment for intangibles	5	(4,260)	(928)
Proceeds from sale of plant and equipment		-	3
Changes in financial assets		12	-
Purchase of controlled entities, contingent consideration		-	(13,809)
Purchase of controlled entities, net of cash acquired		(12,593)	-
Disposal of controlled entities, net of cash		425	-
Net cash flows from investing activities		**(16,967)**	**(17,464)**
Cash flows from financing activities			
Share issue transaction costs		(25)	(13)
Proceeds from borrowings		18,123	18,724
Repayments of borrowings		(10,669)	(18,724)
Dividends paid to company's shareholders		(14,928)	(9,712)
Dividends paid to non-controlling interests in subsidiaries		(2,859)	(2,444)
Net cash flows from financing activities		**(10,358)**	**(12,169)**
Net increase / (decrease) in cash and cash equivalents		15,090	13,219
Effects of exchange rate changes on cash and cash equivalents		429	347
Cash and cash equivalents at beginning of year		81,178	40,663
Cash and cash equivalents at end of year		**96,697**	**54,229**

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

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This section explains the results and performance of the Group for the half year ended 31 December 2016. It provides a breakdown of those individual line items in the financial statements, that the Directors consider most relevant in the context of the operations of the Group, or where there have been significant changes that required specific explanations. It also provides detail on how the performance of the Group has translated into returns to shareholders.

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Notes to the Consolidated Financial Statements

Basis of preparation

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2016 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 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 2016 and any public announcements made by Corporate Travel Management Limited ('CTM' of 'the Group') during the interim reporting period, in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period, except as set out in Note 13.

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 December 2016:

- New business acquisition:
  - On 1 July 2016, the Group effectively acquired 100% of the shares of Travizon, Inc., All Performance Associates, Inc., and Business Travel, Inc., trading as Travizon Travel (Travizon), a travel management company headquartered in Boston MA, USA.

- Net current liability:
  - At 31 December 2016, the Consolidated Statement of Financial Position Balance for the Group shows a net current liability position of $22.9 million, due to $71.6 million of acquisition and contingent consideration payables being included within current liabilities, which are due to be paid within the next 12 months. These payments will be funded through working capital and debt facilities which are in place. Adjusted for these payables, the working capital balance at 31 December 2016 would be a net current asset position of $48.8 million. Refer note 6 Trade and other payables and note 7 Borrowings.

Notes to the Consolidated Financial Statements: Performance

This section explains the results and performance of the Group for the half year ending 31 December 2016. It provides a breakdown of those individual line items in the financial statements, that the Directors consider most relevant in the context of the operations of the Group, or where there have been significant changes that required specific explanations. It also provides detail on how the performance of the Group has translated into returns to shareholders.

1. Segment reporting

(a) Description of segments

The operating segments are based on the reports reviewed by the group of key senior managers who assess performance and determine resource allocation.

The Chief Operating Decision Makers ("CODM") are Managing Director Jamie Pherous (MD), Global Chief Financial Officer Steve Fleming (CFO) and Global Chief Operating Officer Laura Ruffles (COO).

The CODM considers, organises and manages the business from a geographic perspective. The CODM has identified four operating segments being Travel Services Australia and New Zealand, Travel Services North America, Travel Services Asia, and Travel Services Europe. There are currently no non-reportable segments.

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

The CODM assess 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 2016 is as follows:

	Travel services	Travel services	Travel services	Travel services		
December 2016	**Australia and New Zealand $'000**	**North America $'000**	**Asia $'000**	**Europe $'000**	**Other* $'000**	**Total $'000**
Revenue from the sale of travel services	41,460	60,056	29,700	16,122	459	147,797
Revenue from other sources	236	372	9	679	1	1,297
Total revenue from external parties	**41,696**	**60,428**	**29,709**	**16,801**	**460**	**149,094**
Adjusted EBITDA	**15,666**	**16,280**	**9,289**	**3,830**	**(4,631)**	**40,434**
Interest revenue	36	25	7	-	1	69
Interest expense	22	202	-	92	948	1,264
Depreciation and amortisation	1,141	4,071	864	810	(1)	6,885
Income tax expense	3,338	4,121	1,535	649	(1,502)	8,141
Total segment assets	**94,676**	**262,867**	**168,787**	**86,445**	**1,164**	**613,939**
Total assets include:						
Non-current assets						
- Plant and equipment	2,619	732	283	963	-	4,597
- Intangibles	49,369	207,010	41,603	63,278	-	361,261
Total segment liabilities	**30,024**	**130,882**	**89,235**	**18,085**	**45,397**	**313,623**

*The Other segment includes the Group support service, created to support the operating segments and growth of the global business.

1. Segment reporting (continued)

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

December 2015	Travel services Australia and New Zealand $'000	Travel services North America $'000	Travel services Asia $'000	Travel services Europe $'000	Other* $'000	Total $'000
Revenue from the sale of travel services	36,788	26,363	34,571	18,167	-	115,889
Revenue from other sources	415	2	31	-	561	1,009
Total revenue from external parties	**37,203**	**26,365**	**34,602**	**18,167**	**561**	**116,898**
Adjusted EBITDA	**12,779**	**4,599**	**10,834**	**2,725**	**(2,955)**	**27,982**
Interest revenue	53	2	31	-	-	86
Interest expense	4	-	-	255	450	709
Depreciation and amortisation	1,655	1,105	947	1,207	-	4,914
Income tax expense	3,302	1,086	1,800	227	(768)	5,647
As at 30 June 2016						
Total segment assets	**101,374**	**210,407**	**168,529**	**90,694**	**517**	**571,521**
Total assets include:						
Non-current assets						
- Plant and equipment	2,729	655	845	1,197	-	5,426
- Intangibles	47,303	153,453	41,047	67,661	-	309,464
Total segment liabilities	**32,665**	**108,134**	**100,444**	**18,282**	**40,411**	**299,936**

(c) Other segment information

Adjusted EBITDA reconciliation

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

	Half year 2016 $'000	Half year 2015 $'000
Adjusted EBITDA	**40,434**	**27,982**
Interest revenue	69	86
Finance costs	(1,264)	(709)
Depreciation	(967)	(1,698)
Amortisation	(5,918)	(3,216)
One off items		
Release of earn out payable	-	2,505
Gain on sale of subsidiary (i)	912	-
Acquisition / non-recurring costs	(1,282)	(150)
Profit before income tax from continuing operations	**31,984**	**24,800**

(i) Gain on sale of subsidiary relates to the sale of the Group's share of ownership in Wincastle Travel (HK) Limited during the half year ending 31 December 2016.

2. Dividends paid and proposed

Ordinary shares	Half year 2016 $'000	Half year 2015 $'000
Dividends provided for or paid during the half year	14,928	9,712

3. Income tax expense

Income tax expense is recognised based on management's estimate of the effective income tax rate expected for the six months ending 31 December 2016. The estimated tax rate used for the six months ended 31 December 2016 is 25%, compared to 23% for the six months ended to 31 December 2015. The higher tax rate in the current year is principally driven by the varying mix of jurisdictions in which the Group undertakes activities, including an increase in acquisition activity in North America, which has a comparably higher tax rate compared to other regions.

This section explains significant aspects of the Group's financial position and performance relating to the maintenance of a healthy financial position.

4. Business combinations

Travizon, Inc., All Performance Associates, Inc., and Business Travel, Inc., trading as Travizon Travel (Travizon)

On 1 July 2016, the Group acquired 100% of the shares of Travizon, Inc., All Performance Associates, Inc., and Business Travel, Inc., trading as Travizon Travel (Travizon), a travel management company headquartered in Boston MA, USA. The initial cost of the acquisition was $31,867,698 (US $23,773,302), paid in both cash $14,075,067 (US $10,500,000) and shares $17,792,631 (US $13,273,302), with further deferred consideration payable at 29 September 2017, as set out in this note.

Purchase consideration	$'000
Initial cash and shares paid	31,868
Deferred consideration payable	20,107
Working capital adjustment	1,466
Total acquisition date fair value consideration	**53,441**

* $14,075,067 (US $10,500,000) in cash and $17,792,631 (US $13,273,302) in shares paid on 1 July 2016.

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

	Fair Value $'000
Cash and cash equivalents	5,205
Trade and other receivables	4,482
Other assets	203
Property, plant and equipment	45
Intangible assets: Client contracts and relationships	4,958
Deferred tax asset	20
Trade and other payables	(4,313)
Provisions	(227)
Notes payable	(2,682)
Income tax payable	(6)
Net identifiable assets / (liabilities) acquired	**7,685**
Goodwill on acquisition	45,756
Net assets acquired	**53,441**

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 $45,755,679 (US$34,133,736). The full value of the goodwill and client intangibles is expected to be tax deductible for USA tax purposes.

4. Business combinations (continued)

Travizon, Inc., All Performance Associates, Inc., and Business Travel, Inc., trading as Travizon Travel (Travizon) (continued)

(ii) Acquired receivables
The fair value of the acquired trade receivables is $4,481,709 (US $3,343,355). The gross contractual amount for trade receivables due is $4,481,709 (US $3,343,355), of which no balances are expected to be uncollectable.

(iii) Revenue and profit contribution
The acquired business contributed revenues of $15,381,202 (US $11,617,200) and net profit after tax of $2,563,053 (US $1,963,624) to the Group for the period 1 July 2016 to 31 December 2016.

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

Purchase consideration	$'000
Cash consideration	14,075
Less: cash balances acquired	(5,205)
Outflow of cash – investing activities	**8,870**

Prior period business combinations

On 1 January 2016, the Group acquired 100% of the shares of SARA Enterprises, Inc., trading as Montrose Travel (Montrose). The accounting for the business combination for the Montrose acquisition has being finalised as at 31 December 2016. This finalisation included an additional $1.4 million being recognised relating to the acquisition payable, which has contributed to an increase in goodwill for same amount. No other measurement period adjustments have been made.

5. Intangible assets

	Client contracts and relationships $'000	Intellectual property $'000	Software $'000	Goodwill $'000	Total $'000
Half year ended 31 December 2016					
Cost	38,206	287	16,677	329,891	385,061
Accumulated depreciation	(18,309)	(143)	(5,029)	(319)	(23,800)
	19,897	**144**	**11,648**	**329,572**	**361,261**
Opening net book amount	19,448	144	8,391	281,481	309,464
Additions	-	3	4,267	-	4,270
Additions through the acquisition of entities/businesses	4,958	-	-	46,261	51,219
Disposals	-	-	-	(367)	(367)
Amortisation charge	(4,880)	(5)	(1,033)	-	(5,918)
Exchange differences	371	2	23	2,197	2,593
Closing net book amount	**19,897**	**144**	**11,648**	**329,572**	**361,261**

6. Trade and other payables

	December 2016 $'000	June 2016 $'000
Current		
Trade payables	10,148	4,741
Client payables	117,714	134,689
Other payables and accruals	25,881	24,036
Acquisition payable (i)	67,388	3,999
Contingent consideration payable (ii)	4,256	35,255
	225,387	**202,720**
Non-current		
Other payables and accruals	1,273	1,393
Acquisition payable (i)	12,465	1,374
Contingent consideration payable (ii)	119	26,755
	13,857	**29,522**

(i) Current acquisition payable includes key balances relating to the initial deferred consideration payable for the Travizon Travel acquisition ($20.7 million), the Montrose Travel consideration, which has been transferred to acquisition payable, based on performance hurdles being met ($37.6 million) and the current portion of the Chambers Travel contingent consideration that has been transferred to acquisition payable as deferred consideration ($8.7 million). The non-current acquisition payable balance relates to the non-current portion of the Chambers Travel contingent consideration that has been transferred to acquisition payable as deferred consideration. See note 12 Related party transaction.

(ii) The current and non-current contingent consideration payable reflects the remaining portion on Chambers Travel contingent consideration, which remains contingent on performance hurdles. The balance payable has been reclassified between current and non-current, based on the expected timing of payment.

7. Borrowings

The borrowings balance increased by $8.2 million during the half year ending 31 December 2016, a breakdown of the existing borrowings balance is set out in the following table:

	December 2016 $'000	June 2016 $'000
Current Borrowings		
Montrose Travel acquisition	9,674	9,426
Other working capital & cash flow	17,108	4,921
Non-current Borrowings		
Montrose Travel acquisition	18,596	22,833
Total Borrowings	**45,378**	**37,180**

Financial facilities

The Group's facilities at 31 December 2016 include overdraft, merchant facilities and bank guarantees. There have been no significant changes to the Group's facilities during the half year. The unused portion of the Group's total facilities at 31 December 2016 is $33.5 million.

On 5 January 2017, the Group renegotiated one of its facilities and entered into a Club Facility with a domestic and an international bank. This facility replaces the existing core facility of $75.8 million, and includes lines of credit up to $150.0 million.

8. Contributed equity, reserves and retained earnings

Movement in ordinary share capital			Number of shares	$'000
	Opening balance as at 1 July 2016		**98,078,805**	**175,231**
1 July 2016	Shares issued	Initial consideration for Travizon Travel business combination.	1,236,458	17,793
2 September 2016	Shares issued	Share appreciation rights issue.	204,216	3,198
	Total shares issued		**1,440,674**	**20,991**
	Less: transaction costs arising on share issue			(25)
	Deferred tax credit recognised directly in equity			(66)
	At 31 December 2016		**99,519,479**	**196,131**

9. Fair value measurement

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

- 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 30 June 2016:

Liabilities: Level 3 – Contingent Consideration $4,375,137 (30 June 2016: $62,009,514).

The following table presents the changes in level 3 instruments for the half year ended 31 December 2016:

	Contingent Consideration $'000
Opening balance 1 July 2016	62,010
Additions	-
Paid out (cash and shares)	-
Transferred to Other Payables (i)	(57,368)
Discount unwind	365
Foreign exchange movement	(632)
Closing balance 31 December 2016	**4,375**

(i) The balance transferred to Other Payables during the period consists of, the Montrose Travel contingent consideration ($36.2 million), based on Montrose Travel meeting the financial criteria relating to the earn out period. The remaining balance relates to a portion of the Chambers Travel contingent consideration ($21.2 million), which has been transferred to deferred consideration. See Note 11 Related party transactions.

There were no changes made to any of the valuation techniques applied as of 31 December 2016.

9. Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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 2016:	$4,375,137
Valuation technique used:	Discounted cash flows
Unobservable inputs:	Forecast EBITDA
Discount rate:	3.02%

The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using a model to calculate a rate that reflects current market assessments of the time value of money and the risk specific to the asset.

  An increase/ (decrease) in the discount rate by 100 bps would (decrease)/increase the fair value by ($1,011)/$1,036.

- Forecast EBITDA, the entity's knowledge of the business and how the current economic environment is likely to impact it.

  If forecast EBITDA were 5% higher or lower, the fair value would increase/decrease by $5,446/ ($122,969).

Fair values of other financial instruments

During the half year ending 31 December 2016, the Group entered into three GBP forward exchange contracts, to hedge the payment for the acquisition of Redfern Travel (acquired with effect from 1 February 2017) and the future deferred consideration payments for Chris Thelen, as a part of the Chambers acquisition. The foreign exchange contracts have been accounted for using hedge accounting and designated at the inception of the transaction as cash flow hedges. The forward contracts are assessed at fair value and the effectiveness of the hedge is tested at each reporting date. The fair value is assessed to be $0.6 million at 31 December 2016 and recognised through Other comprehensive income.

The Group also has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. 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 finance department of the Group performs the valuations of assets required for financial reporting purposes, including level 3 fair values. This team reports directly to the Global Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the Global CFO, AC, and the finance team at least once every six months, in line with the Group's reporting dates.

10. Contingent liabilities

Guarantees / Letter of credit facilities

The Group has provided bank guarantees and letters of credit in relation to various facilities with vendors and in accordance with local travel agency licensing and International Air Transport Association regulations. Guarantees provided by the parent are held on behalf of other Group entities.

Guarantees provided for:	December 2016 $'000	June 2016 $'000
Various vendors	43,699	42,050
Total	**43,699**	**42,050**

Guarantees, as part of the overall facilities including term loans, overdraft, merchant facilities and bank guarantees, are fully secured by a fixed and floating charge over all existing and future assets and undertakings of Corporate Travel Management Group Ltd for Australia and New Zealand. There are no assets pledged as security for facilities held in Asia.

There were no other contingencies as at 31 December 2016 (June 2016: $nil).

Notes to the Consolidated Financial Statements: Other Items

This section provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements, however, are not considered critical in understanding the financial performance of the Group for the half year ending 31 December 2016.

11. Events occurring 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.

The Group acquired 100% of the shares of Redfern Travel and Andrew Jones Travel Pty Ltd, both with effect from 1 February 2017. Redfern is a leading UK Travel Management Company (TMC) headquartered in Bradford, UK. Andrew Jones Travel is recognised as the leading TMC in Tasmania, with over 30 years' experience in this market.

For the acquisition of Redfern Travel, an initial consideration of $67,888,663 (GBP 40,000,000) was paid through a mixture of cash and Corporate Travel Management Limited shares. Further consideration payment of up to $16,972,165 (GBP $10,000,000) may also be payable contingent on the achievement of agreed future profit hurdles.

The total consideration for the Andrew Jones Travel acquisition of $5,625,000 was paid through $4,625,000 in cash and $1,000,000 in Corporate Travel Management Limited shares.

Due to the timing of the acquisitions, CTM has not yet finalised the 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 2016.

These two acquisitions have been fully funded by a renounceable entitlement offer, which was completed on 20 January 2017 and was successful in raising approximately $71.1 million. The entitlement offer was fully underwritten and the allotment of 4,744,475 shares took place on 24 January 2017.

12. Related party transactions

Transactions with other related parties

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 2016. Where any of these related entities are clients of the Group, the arrangements are on similar arm's length terms to other clients.

Transactions with key management personnel

The portion of contingent consideration payable to Chris Thelen, in relation to the Chambers acquisition has been transferred to deferred consideration, and is no longer contingent on meeting earn out thresholds. Total balance of $21.2 million is payable with $8.7 million being payable within 12 months and $12.5 million after 12 months.

13. Summary of significant accounting policies

New and amended standards

There are no new significant accounting standards applicable for the first time for the 31 December 2016 Interim Financial Report. Other than those standards disclosed in the 2016 Annual Report, there are no standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Directors' Declaration

In the Directors' opinion:

(a) The financial statements and notes set out on pages 9 to 25 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 2016 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; and

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 2017

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 2016, 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 that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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.

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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:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan

Michael Shewan — Brisbane

Partner — 24 February 2017