Corporate Travel Management

ABN 17 131 207 611

Interim Report

31 December 2017

Corporate Travel Management Limited

ABN 17 131 207 611

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

Interim Financial Report – 31 December 2017

Table of Contents

APPENDIX 4D

Corporate Travel Management (CTD)

Results for announcement to the market

	Half year 2017 $'000	2016 $'000	Change $'000	Change %
Total transaction value (TTV) [1]	2,258,512	1,870,198	388,314	21%
Revenue and other income	172,751	150,469	22,282	15%
Profit before tax	42,185	31,984	10,201	32%
Profit from ordinary activities after tax	32,336	23,843	8,493	36%
Net profit for the period attributable to members	30,607	22,133	8,474	38%
Earnings per share				
- Basic (cents per share)	28.9	22.1	6.8	31%
- Diluted (cents per share)	28.6	21.9	6.7	31%

[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 2018	Amount per Share Cents	Franking %
Interim dividend [2]	15.0	100%

30 June 2017		
Interim dividend	12.0	100%
Final dividend [3]	18.0	100%

[2] The record date for determining the interim dividend of 15 cents per share is 8 March 2018, with the dividend payable on 11 April 2018.
[3] The final dividend for the financial year ended 30 June 2017 of 18.0 cents per share was paid on 5 October 2017.

Tangible assets per security

	Half year 2017 $	2016 $
Tangible asset backing per ordinary share	2.57	2.54

Net tangible assets per security

	Half year 2017 $	2016 $
Net tangible asset backing per ordinary share	(0.16)	(0.61)

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 2017.

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.

Group financial performance – half year ending 31 December

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

	2017	2016	Change
	$'000	$'000	%
Total Transactional Value (TTV) (unaudited)	2,258,512	1,870,198	21%
Revenue and other income	172,751	150,469	15%
EBITDA adjusted for one-off non-recurring / acquisition costs (adjusted EBITDA)	**53,540**	**40,434**	**32%**
Net profit after tax (NPAT):	32,336	23,843	36%
NPAT - Attributable to owners of CTD	30,607	22,133	38%
One-off non-recurring / acquisition costs (tax effect)	390	300	
Underlying NPAT - Attributable to owners	30,997	22,433	38%
Amortisation of client intangibles	5,400	4,880	
Underlying NPAT - Attributable to owners (excluding acquisition amortisation)	**36,397**	**27,313**	**33%**

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

Financial performance

The net profit after tax attributable to the owners of CTM for the half year financial period, amounted to $30.6 million (2016: $22.1 million).

EBITDA, adjusted for acquisition and other non-recurring costs ('adjusted EBITDA'), grew by 32.4% to $53.4 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 $6.7 million of the adjusted EBITDA increase has resulted from organic growth. There has been strong translation of revenue to EBITDA due to benefits of CTM's growing scale, technology and integrated automation, despite the move to on-line (lower yielding) transactions and combination of lower yielding Redfern Travel business.

Review of operations (continued)

Financial performance (continued)

CTM continues to maintain a strong financial position, with net current assets of $43.4 million and total equity of $419.5 million. At 31 December 2017, the Group had $77.4 million in borrowings. CTM's acquisition growth has been funded through a combination of operating cash flow and short term debt. There has been further deferred acquisition payments from prior acquisitions of $37.2 million funded through borrowings and capital expenditure of $5.0 million during the half year funded from operating cash flow. Operating cash flow has been negatively impacted by the timing of the Rail Settlement Plan. This is a new component relating to the Redfern Travel business and will reverse in the second half of the 2018 financial year.

The Company continues to pay dividends at its stated divided policy level, with an interim dividend declared at 15 cents per share (2017 interim dividend: 12.0 cents per share). This dividend represents an increase of 25% on the preceding period.

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.

	2017 $'000	2016 $'000
TTV net of GST (unaudited)	2,258,512	1,870,198

The Group maintained strong growth in TTV (unaudited), despite the impact from global FX translations, which had an estimated negative impact of $49 million.

Constant currency

Due to a significant portion of the Group's operations being outside Australia, the Group is exposed to currency exchange rate translation risk, being the risk that the Group's offshore earnings fluctuate when reported in Australian dollars.

The Group's regional results for the half year financial period have also been provided on a constant currency basis in the following commentary, with the revenue and EBITDA for the regions converted at the average rate for the 2017 half year period, to remove the impact of foreign exchange movements in assessing the Group's performance against the prior period. The constant currency comparatives are not compliant with Australian Accounting Standards.

Directors' Report (continued)

Review of operations (continued)

Review of underlying operations

	CTM Consolidated			Australia & New Zealand			North America			Asia			Europe			Group		
	Dec-17	Dec-16		Dec-17	Dec-16		Dec-17	Dec-16		Dec-17	Dec-16		Dec-17	Dec-16		Dec-17	Dec-16	
REPORTED AUD	$m	$m		$m	$m		$m	$m		$m	$m		$m	$m		$m	$m	
TTV	2,258.5	1,870.2	21%	541.2	449.6	20%	592.4	619.1	(4%)	667.9	638.6	5%	457.0	162.9	181%	0.0	0.0	
Revenue	171.9	149.1	15%	50.5	41.7	21%	59.4	60.4	(2%)	26.1	29.7	(12%)	35.9	16.8	114%	0.0	0.5	
Adj. EBITDA	53.5	40.4	32%	18.9	15.7	20%	17.3	16.3	6%	9.3	9.3	0%	12.9	3.8	239%	(4.9)	(4.7)	4%
Adj. EBITDA as a % of Revenue	31.1%	27.1%		37.4%	37.6%		29.1%	27.0%		35.6%	31.3%		35.9%	22.6%				
CONSTANT CURRENCY*																		
TTV	2,307.5	1,870.2	23%	541.9	449.6	21%	612.2	619.1	(1%)	694.6	638.6	9%	458.8	162.9	182%	0.0	0.0	
Revenue	175.2	149.1	18%	50.8	41.7	22%	61.3	60.4	1%	27.1	29.7	(9%)	36.0	16.8	114%	0.0	0.5	
Adj. EBITDA	54.6	40.4	35%	19.1	15.7	22%	17.8	16.3	9%	9.7	9.3	4%	13.0	3.8	242%	(4.9)	(4.7)	4%
Adj. EBITDA as a % of Revenue	31.2%	27.1%		37.6%	37.6%		29.0%	27.0%		35.8%	31.3%		36.1%	22.6%				

** Constant currency reflects 31 December 2016 as previously reported. 31 December 2017 represents local currency converted at average foreign currency rates for the half year ended 31 December 2016.*

Australia and New Zealand ("ANZ")

Revenue grew by 21% to $50.5 million for the six months ended 31 December 2017. The increased revenue has flowed through to the adjusted EBITDA, which rose by 20% to $18.9 million, with an EBITDA margin of 37.4%. The region continued to benefit from top line growth from increased market share through new client wins. In addition, productivity also improved with around 80% of all client transactions originated online.

North America

Revenue declined 2% to $59.4 million for the half year ended 31 December 2017. However, the adjusted EBITDA rose by 6% to $17.3m and the adjusted EBITDA margin improved from 27.0% for the half year ended December 2016 to 29.1%, due to further productivity initiatives.

Client activity was subdued in the first half, due to uncertainty around US tax and infrastructure initiatives, which is expected to change now that the framework has been agreed. We continue to focus on optimisation of the client value proposition and implementation of client facing technology. The regional activity was also negatively impacted by weather events (floods) and fires, which had a negative effect of circa $2m on EBITDA. On a constant currency basis, revenue for North America increased by 1% and adjusted EBITDA increased by 9% over the previous comparative period.

Asia

Revenue declined by 12% to $26.1 million for the half year ended 31 December 2017 and EBITDA remained at $9.3m. The result was impacted by reduced ticket prices flowing through to reduced supplier payment revenue, which we expect to normalise in the second half of FY18. The EBITDA margin increased from 31.3% to 35.6% as the business benefited from productivity gains through enhanced automation. On a constant currency basis, revenue declined 9% and adjusted EBITDA increased by 4% over the previous period. When normalising the prior period comparative for disposal and closing of non-core business that occurred during the half year, revenue was up 4%. This was a good result in the tough trading environment of lower ticket prices.

Europe

The operation in Europe contributed $35.9 million in revenue for the half year ended December 2017, with inclusion of the Redfern Travel acquisition for the full six month period (Dec 16: $Nil). The adjusted EBITDA for the Europe business rose by 239% to $12.9m and the adjusted EBITDA margin increased from 22.6% to 35.9%, benefiting from a large move to CTM's online platforms, automation resulting from the Redfern acquisition and record client wins and retention. On a constant currency basis, revenue increased by 114% and adjusted EBITDA increased by 242% over the previous period.

Directors' Report (continued)

Events since the end of the financial year

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.

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 2016/191, 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.

Mr Tony Bellas	Mr Jamie Pherous
Chairman	Managing Director

Brisbane, 20 February 2018

Auditor's Independence Declaration

As lead auditor for the review of Corporate Travel Management Limited for the half-year ended 31 December 2017, 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
20 February 2018

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2017

	Note	Half year 2017 $'000	Half year 2016 $'000
Revenue		171,939	149,094
Other income		812	1,375
Total revenue and other income		**172,751**	**150,469**
Operating expenses			
Employee benefits		(90,596)	(82,854)
Occupancy		(6,311)	(6,630)
Depreciation and amortisation		(9,134)	(6,885)
Information technology and telecommunications		(14,419)	(9,515)
Travel and entertainment		(2,163)	(2,870)
Administrative and general		(6,209)	(8,467)
Total operating expenses		**(128,832)**	**(117,221)**
Finance costs		(1,734)	(1,264)
Profit before income tax		**42,185**	**31,984**
Income tax expense	3	(9,849)	(8,141)
Profit for the half year		**32,336**	**23,843**
Profit attributable to:			
Owners of Corporate Travel Management Limited		30,607	22,133
Non-controlling interests		1,729	1,710
		32,336	**23,843**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(459)	3,217
Changes in the fair value of cash flow hedges		(48)	557
Other comprehensive income for the half year, net of tax		**(507)**	**3,774**
Total comprehensive income for the half year		**31,829**	**27,617**
Total comprehensive income for the half year attributable to:			
Owners of Corporate Travel Management Limited		30,175	24,754
Non-controlling interests		1,654	2,863
		31,829	**27,617**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company			
- Basic (cents per share)		28.9	22.1
- Diluted (cents per share)		28.6	21.9

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 2017

	Note	December 2017 $'000	June 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents		72,380	79,217
Trade and other receivables		184,913	201,210
Other current assets		3,921	4,462
Total current assets		**261,214**	**284,889**
Non-current assets			
Plant and equipment		5,650	5,262
Intangible assets	4	436,311	441,022
Deferred tax assets		5,647	8,982
Total non-current assets		**447,608**	**455,266**
TOTAL ASSETS		**708,822**	**740,155**
LIABILITIES			
Current liabilities			
Trade and other payables	5	182,737	233,049
Borrowings	6	19,518	18,122
Income tax payable		2,625	8,238
Provisions		12,896	14,512
Total current liabilities		**217,776**	**273,921**
Non-current liabilities			
Trade and other payables	5	3,344	24,868
Borrowings	6	57,623	27,301
Provisions		2,188	2,653
Deferred tax liabilities		8,367	10,008
Total non-current liabilities		**71,522**	**64,830**
TOTAL LIABILITIES		**289,298**	**338,751**
NET ASSETS		**419,524**	**401,404**
EQUITY			
Contributed equity	7	301,803	281,847
Reserves		457	12,999
Retained earnings		103,028	91,469
Capital and reserves attributed to owners of the company		**405,288**	**386,315**
Non-controlling interests – equity		14,236	15,089
TOTAL EQUITY		**419,524**	**401,404**

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 2017

	Note	Contributed Equity $'000	Retained Earnings $'000	Other Reserves $'000	Total $'000	Non-Controlling Interests $'000	Total Equity $'000
Balance at 30 June 2016		**175,231**	**63,802**	**17,787**	**256,820**	**14,765**	**271,585**
Profit for the half-year		-	22,133	-	22,133	1,710	23,843
Other comprehensive income		-	-	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		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**
Balance at 30 June 2017		**281,847**	**91,469**	**12,999**	**386,315**	**15,089**	**401,404**
Profit for the half-year		-	30,607	-	30,607	1,729	32,336
Other comprehensive income		-	-	(432)	(432)	(75)	(507)
Total comprehensive income for the half year		**-**	**30,607**	**(432)**	**30,175**	**1,654**	**31,829**
Transactions with owners in their capacity as owners:							
Shares issued	7	19,956	-	-	19,956	-	19,956
Dividends paid		-	(19,048)	-	(19,048)	(2,507)	(21,555)
Share based payments		-	-	(12,110)	(12,110)	-	(12,110)
		19,956	**(19,048)**	**(12,110)**	**(11,202)**	**(2,507)**	**(13,709)**
Balance at 31 December 2017		**301,803**	**103,028**	**457**	**405,288**	**14,236**	**419,524**

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 2017

	Note	Half year 2017 $'000	Half year 2016 $'000
Cash flows from operating activities			
Receipts from customers		195,739	178,484
Payments to suppliers and employees		(155,679)	(124,436)
Interest received		71	69
Finance costs		(1,191)	(652)
Income tax (paid) / received		(13,244)	(11,050)
Net cash flows from operating activities		**25,696**	**42,415**
Cash flows from investing activities			
Payment for plant and equipment		(1,279)	(539)
Payment for intangibles	4	(3,748)	(4,260)
Purchase of controlled entities, net of cash acquired		-	(12,593)
Purchase of controlled entities, contingent consideration		(33,476)	-
Purchase of controlled entities, working capital		(3,683)	-
Disposal of controlled entities, net of cash		-	425
Net cash flows from investing activities		**(42,186)**	**(16,967)**
Cash flows from financing activities			
Share issue transaction costs		(38)	(25)
Proceeds from borrowings		67,443	18,123
Repayments of borrowings		(35,580)	(10,669)
Dividends paid to company's shareholders		(19,048)	(14,928)
Dividends paid to non-controlling interests in subsidiaries		(2,507)	(2,859)
Net cash flows from financing activities		**10,270**	**(10,358)**
Net increase / (decrease) in cash and cash equivalents		(6,220)	15,090
Effects of exchange rate changes on cash and cash equivalents		(617)	429
Cash and cash equivalents at beginning of year		79,217	81,178
Cash and cash equivalents at end of year		**72,380**	**96,697**

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

Notes to the Consolidated Financial Statements

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.

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

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 ended 31 December 2016.

Notes to the Consolidated Financial Statements: Performance

Basis of preparation

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2017 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 2017 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.

Notes to the Consolidated Financial Statements: Performance

This section explains the results and performance of the Group for the half year ending 31 December 2017. 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 2017 is as follows:

December 2017	Travel services Australia and New Zealand $'000	Travel services North America $'000	Travel services Asia $'000	Travel services Europe $'000	Other* $'000	Total $'000
Total revenue from external parties	**50,506**	**59,366**	**26,122**	**35,945**	**-**	**171,939**
Adjusted EBITDA	**18,941**	**17,313**	**9,316**	**12,938**	**(4,968)**	**53,540**
Interest revenue						71
Interest expense						1,734
Depreciation						1,012
Amortisation						8,122
Income tax expense						9,849
Total segment assets	**103,680**	**247,717**	**147,981**	**200,830**	**8,614**	**708,822**
Total assets include:						
Non-current assets						
- Plant and equipment	2,672	1,037	693	1,248	-	5,650
- Intangibles	56,716	190,304	36,706	148,835	3,750	436,311
Total segment liabilities	**37,322**	**32,042**	**77,619**	**44,805**	**97,510**	**289,298**

*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 2016	Travel services Australia and New Zealand $'000	Travel services North America $'000	Travel services Asia $'000	Travel services Europe $'000	Other* $'000	Total $'000
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						69
Interest expense						1,264
Depreciation						967
Amortisation						5,918
Income tax expense						8,141
As at 30 June 2017						
Total segment assets	**110,265**	**248,171**	**144,012**	**226,294**	**11,413**	**740,155**
Total assets include:						
Non-current assets						
- Plant and equipment	2,705	760	455	1,342	-	5,262
- Intangibles	55,745	194,482	37,947	148,834	4,014	441,022
Total segment liabilities	**44,289**	**61,575**	**77,319**	**65,534**	**90,034**	**338,751**

(c) Other segment information

Adjusted EBITDA reconciliation

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

	Half year 2017 $'000	Half year 2016 $'000
Adjusted EBITDA	**53,540**	**40,434**
Interest revenue	71	69
Finance costs	(1,734)	(1,264)
Depreciation	(1,012)	(967)
Amortisation	(8,122)	(5,918)
One off items		
Gain on sale of subsidiary (i)	-	912
Acquisition / non-recurring costs	(558)	(1,282)
Profit before income tax from continuing operations	**42,185**	**31,984**

(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 ended 31 December 2016.

2. Dividends paid and proposed

Ordinary shares	Half year 2017 $'000	Half year 2016 $'000
Dividends provided for or paid during the half year	19,048	14,928

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 2017. The estimated tax rate used for the six months ended 31 December 2017 is 23%, compared to 25% for the six months ended 31 December 2016. The lower tax rate compared to the prior period is principally driven by the reduction in the corporate tax rate from 35% to 21% in North America effective 1 January 2018.

As a result, the relevant deferred tax balances for North America have been remeasured taking into consideration the timing of the reversal of each deferred tax balance. Any deferred tax balances expected to reverse in the period up to 30 June 2018 have been measured using the tax rate that will apply to the North American business during the period. The impact of the change in tax rate has been recognised in income tax expense. The ultimate impact for the full financial year may differ from these provisional amounts, due to additional analysis, changes in interpretations and assumptions we have made and additional regulatory guidance that may be issued.

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

4. Intangible assets

	Client contracts and relationships $'000	Software $'000	Goodwill $'000	Other Intangible Assets $'000	Total $'000
Half year ended 31 December 2017					
Cost	52,906	25,363	393,316	4,455	476,040
Accumulated amortisation	(28,896)	(9,951)	(313)	(569)	(39,729)
	24,010	**15,412**	**393,003**	**3,886**	**436,311**
Opening net book amount	29,411	14,217	393,238	4,156	441,022
Additions	-	3,748	-	-	3,748
Additions through the acquisition of entities/businesses	-	-	143	-	143
Amortisation charge	(5,400)	(2,510)	-	(213)	(8,123)
Exchange differences	(1)	(43)	(378)	(57)	(479)
Closing net book amount	**24,010**	**15,412**	**393,003**	**3,886**	**436,311**

5. Trade and other payables

	December 2017 $'000	June 2017 $'000
Current		
Trade payables	6,210	13,156
Client payables	129,281	148,703
Other payables and accruals	25,449	26,247
Acquisition payable (i)	13,389	44,943
Contingent consideration payable (ii)	8,408	-
	182,737	**233,049**
Non-current		
Other payables and accruals	3,344	4,112
Acquisition payable (i)	-	12,596
Contingent consideration payable (ii)	-	8,160
	3,344	**24,868**

(i) The reduction in Acquisition payable reflects the payments made during the half year period relating to the Travizon Travel, Chambers Travel and Redfern Travel business combinations. The remaining balance payable has been reclassified to current and relates to the final deferred payment for the Chambers Travel business combination.

(ii) The contingent consideration payable reflects the remaining portion of Redfern Travel contingent consideration, which remains contingent on the achievement of specific performance hurdles and was reclassified from current during the period.

6. Borrowings

A breakdown of the existing borrowings balance is set out in the following table:

	December 2017 $'000	June 2017 $'000
Current borrowings	19,518	18,122
Non-current borrowings	57,623	27,301
Total borrowings	**77,141**	**45,423**

Financial facilities

The Group's facilities at 31 December 2017 include overdraft, merchant facilities and bank guarantees. There have been changes to the Group's utilisation of bank facilities during the half year which are a consequence of M&A activity.

The Group holds a Club Facility with HSBC Bank and the Commonwealth Bank of Australia. This multi-currency facility includes lines of credit up to $148.3 million. Security has been provided over CTM Group assets and subsidiary shareholding to a Security Trustee for the benefit of the financiers.

Redfern Travel Group has provided a fixed and floating charge over its assets to a local bank as security for a £7 million working capital facility ($12.1 million). In addition, the Group has further facilities of $9.2 million available in Asia, which are utilised for bank guarantees required for supplier bonding purposes.

The available facilities are multi-currency, but have been expressed in their Australian dollar equivalent for purposes of this disclosure.

The unused portion of the Group's total facilities at 31 December 2017 is set out in the following table:

	$'000
Unused	40,536
Used (i)	129,104
Total facilities	**169,640**

(i) Included within the used portion of the total facilities are bank guarantees of $52.0 million. See note 9 for the total amount of bank guarantees for the Group.

7. Contributed equity, reserves and retained earnings

Movement in ordinary share capital			Number of shares	$'000
	Opening balance as at 1 July 2017		**105,221,249**	**281,847**
22 August 2017	Shares issued	Share appreciation rights issue.	600,600	13,754
13 October 2017	Shares issued	Contingent consideration payment for the Chambers Travel business combination.	286,604	6,313
	Total shares issued		**887,204**	**20,067**
	Less: transaction costs arising on share issue			(38)
	Deferred tax credit recognised directly in equity			(73)
	At 31 December 2017		**106,108,453**	**301,803**

8. 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 $8,408,000 (30 June 2017: $8,160,000).

The following table presents the changes in level 3 instruments for the half year ended 31 December 2017:

	Contingent Consideration $'000
Opening balance 1 July 2017	8,160
Additions	-
Discount unwind	137
Foreign exchange movement	111
Closing balance 31 December 2017	**8,408**

There were no changes made to any of the valuation techniques applied as of 31 December 2017.

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 2017:	$8,408,000
Valuation technique used:	Discounted cash flows
Unobservable inputs:	Forecast EBITDA
Discount rate:	2.06%

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 rates 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 ($102,000)/$104,000.

- 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 $Nil/ ($4,599,000).

8. Fair value measurement (continued)

Fair values of other financial instruments

As at 31 December 2017, there is one GBP forward exchange contract in place, to hedge the deferred consideration payment for Chris Thelen, as a part of the Chambers Travel acquisition. This foreign exchange contract has been accounted for using hedge accounting and designated at the inception of the transaction as cash flow hedges. The forward contract is assessed at fair value and the effectiveness of the hedge is tested at each reporting date. The fair value is assessed to be $0.3 million at 31 December 2017 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.

9. 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 2017 $'000	June 2017 $'000
Various vendors	53,680	50,199
Total	**53,680**	**50,199**

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 2017 (June 2017: $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 2017.

10. Events occurring after the reporting period

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.

11. 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 2017. 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

During the half year ended 31 December 2017, a deferred consideration balance of $8.7 million was paid to Chris Thelen and a deferred consideration balance of $0.5 million was paid to Debbie Carling, in relation to the Chambers Travel acquisition. The remaining balance of $13.3 million is payable to Chris Thelen within 12 months and is included in the Acquisition payable balance in note 5.

12. Summary of significant accounting policies

New and amended standards

There are no new standards and amendments to standards that are mandatory for the first time for the 31 December 2017 Interim Financial Report that materially affect the amounts recognised in the current period or any prior period and are not likely to affect future periods. The Group has not early adopted any amendments, standards or interpretations that have been issued but are not yet effective in the current year.

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ending 31 December 2017 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.

12. Summary of significant accounting policies (continued)

New and amended standards (continued)

Title of standard	Summary and impact on the Group's financial statements	Mandatory application date / date of adoption by the Group
AASB 9 *Financial instruments*	The new standard simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. The new standard also introduces a new expected-loss impairment model that will require entities to account for expected credit losses at the time of recognising the asset. The Group has undertaken a preliminary assessment of the potential impact of this new standard and at this stage, does not expect there to be a material impact on the Group's results.	Mandatory for financial year ending 30 June 2019. The Group does not intend to adopt the standard before its effective date.
AASB 15 *Revenue from contracts with customers*	The AASB has issued a new standard for the recognition of revenue, which replaces virtually all revenue recognition requirements, including those requirements as set out in AASB 118 Revenue. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of transfer of risk and rewards. The Group has undertaken a preliminary assessment of the potential impact of this new standard and at this stage, does not expect there to be a material impact on the Group's results.	Mandatory for financial year ending 30 June 2019. The Group does not intend to adopt the standard before its effective date.
AASB 16 *Leases*	AASB 16 addresses the classification, measurement and recognition of almost all leases. The changes will primarily affect the accounting by lessees and will result in almost all leases being recognised on the balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all leases. The only exceptions are short-term and low-value leases. As at 30 June 2017, the Group had operating lease commitments of $23.9 million. Refer note 18 in the 2017 Annual Report. The Group has conducted a preliminary assessment of the forecast impact of AASB 16 on the Group's profit, balance sheet and cash flows. Upon adoption of AASB 16, the Group expects a material increase in both lease liabilities and right-of-use assets. The Group EBITDA is expected to be materially positively impacted as lease costs are reclassified as interest and depreciation, although the impact on the Group's profit is not expected to be material. The Groups classification of cashflows, within the statement of cashflows, is also expected to be materiality impacted.	Mandatory for financial year ending 30 June 2020. The Group does not intend to adopt the standard before its effective date.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with policies adopted by the Group.

Directors' Declaration

In the Directors' opinion:

(a) The financial statements and notes set out on pages 9 to 23 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 2017 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, 20 February 2018

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 2017, 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, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Corporate Travel Management Limited. The consolidated entity comprises the Company and the entities it controlled 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 2017 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*.

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 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 2017 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

Michael Shewan
Partner

Brisbane
20 February 2018