Corporate Travel Management

30 June 2019

Annual Financial Report

Corporate Travel Management Limited

ABN 17 131 207 611

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

Annual Financial Report – 30 June 2019

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Chairman's Report

Dear Shareholders,

I am pleased to provide shareholders with my first report as a Director and Chairman of the Corporate Travel Management Limited ("CTM" or "the Group") Board. I look forward to meeting in person shareholders who attend the annual general meeting (AGM) in Brisbane on 6 November 2019, and I welcome shareholder questions or comments regarding the company at any time.

CTM is an Australian success story which has leveraged technology innovation to carve for itself a leading position in the global corporate travel market. It is an admirable achievement and a key reason I chose to join the CTM Board. The Group operates from four regions, and there remains scope to grow both organically as well as through further acquisitions. A key focus as Chairman will be to ensure our company has appropriate governance processes, a robust strategy and management structures to support sustainable growth.

Financial results and operating conditions

I am pleased to report net profit after tax ("NPAT") of $86.2 million for the full year ending 30 June 2019. Excluding the one-off or non-recurring items (tax effected) of $5.1 million and non-cash amortisation of client intangibles (tax effected) of $5.6 million, underlying NPAT was $96.9 million, an increase of 13% over the previous year.

This was a solid result given corporate travel activity was impacted by major headwinds in our key markets of Europe, US and Asia. Specifically, travel activity was affected by continuing Brexit uncertainty in the UK, continuing tension from US/China trade talks and ongoing civil unrest in Hong Kong.

Despite these external factors, our global strategy delivered good results and provides a strong platform for the future. In Asia we have now integrated the Lotus acquisition and expect this will underpin increasing contributions from this region. In the US we see positive signs following a sustained period of acquisitions where increased capacity will support new business wins in a highly competitive but deep and attractive market. The Australia/New Zealand business continues to perform strongly and has again increased market share by leveraging our proprietary technology solutions.

As company founder and Managing Director, Jamie Pherous, outlines in his report which follows CTM remains confident that its customer value proposition remains compelling and that there is enormous untapped potential in each of the markets in which we operate.

Dividends

The board declared a final dividend of 22 cents per share, franked to 50%. This represents a total dividend payment for the year of 40 cents per share which equates to a payout ratio of 50%. The dividend payment date will be 3 October 2019. The payout ratio is in line with our stated dividend policy. We are pleased that shareholders have received good dividend growth per share since listing.

Board and senior management changes

I would like to acknowledge my predecessor Tony Bellas and thank him for his substantial contribution as CTM Chairman since listing in 2010.

One of my first priorities as chairman is to work with the Board on a process of orderly renewal and a broadening of our Director skill base given CTM's substantial growth and expansion of operations in recent years. We recognise it is very important the Board's collective skills match the demands of diligent oversight of an expanded and growing global business.

Stephen Lonie, who has served as a Director since CTM listed, has decided he will step down as a Director at the AGM in November. I will speak to Stephen's extensive contribution to CTM as well as provide more detail on our Board renewal plan at the AGM. We also expect to announce the appointment of a new Director to the Board over the coming weeks.

This process of Board renewal is accompanied by a close review of the company's governance processes and protocols. The Board has conducted a review and tightened the procedures and reporting of changes in Directors' interests. Shareholders can be assured of the Board's commitment to good governance practice.

The Board also welcomes Neale O'Connell as our Global CFO, replacing Steve Fleming who will focus on his role as CFO Europe. Neale brings a strong background in ASX 100 and UK listed multi-national companies.

Chairman's Report (continued)

Remuneration

The investment community is rightly focused on companies having the right remuneration structure to attract and retain talent as well as align management and shareholders expectations.

While the enclosed Remuneration Report provides important insight and detail, by way of an overview comment, the Board has endeavoured to strike the right balance between growth and accountability. CTM's long term appreciation incentives are a very important element of the remuneration structure which ensures management remains focussed on making long term strategic decisions while managing for nearer term performance. We value shareholder feedback to ensure we maintain the right balance.

People

I would like to thank our more than 2,600 employees (full time equivalents) around the world for their dedication. Their commitment to delivering customer outcomes is what allows us to achieve a strong financial result and continue the growth story for CTM despite some tough trading conditions in the past six months. In particular, I acknowledge Jamie Pherous and the Senior Executive Team, who have worked tirelessly and with great passion to drive results for shareholders and service for our clients around the world.

I look forward to meeting all shareholders who can attend our Annual General Meeting.

Yours sincerely

Ewen Crouch AM
Chairman
Corporate Travel Management Limited
21 August 2019

Managing Director's Report

25 years of CTM

I am pleased to present the 2019 Annual Financial Report of CTM.

2019 represents our 25^{th} year of operations. Before commenting on yet another record performance, it is important to reflect on how far CTM has come in 25 years.

In 1994, the company was established with one common goal, to deliver an enhanced value proposition to the corporate market. Corporate customers around the world demanded intuitive technology, supported by highly personalised service and underpinned by a return on investment methodology to reduce the overall cost of corporate travel. Most importantly, that same customer service proposition that anchored the company's growth from 1994 is just as relevant today and relevant globally.

Growth Opportunity

From a Brisbane start-up in 1994, CTM has grown to become a global travel company, employing over 2,600 employees (full time equivalents) worldwide. In FY19, over 70% of Group's revenue was generated outside of Australia and New Zealand, supporting the success of the client proposition on a global scale.

The company has seen sequential TTV growth in every year of its 25 years, and since listing in 2010, TTV, EBITDA and dividend has sequentially grown in every year.

There is an untapped opportunity that lies ahead now that the company is well established in every region it operates. Despite TTV of approximately of $6.5 billion, CTM represents under 1% of the global corporate market and corporate travel is expected to grow continuously over the long term.

We feel confident in our value proposition, business model, and our ability to execute, to take advantage of the growth opportunities ahead.

Outstanding performance

In the year to 30 June 2019, CTM's revenue of $446.7 million was 20% higher than the previous year.

CTM's statutory net profit after tax ("NPAT") of $86.2 million for the year to 30 June 2019 compares with $76.7million in the previous year, representing a 12% increase. Underlying NPAT was $96.9 million, when adding back one-off acquisition costs and other non-recurring costs (tax effected) of $5.1 million and non-cash amortisation of client intangibles (tax effected) of $5.6 million, representing a 13% increase on prior year.

Financial position

The continued generation of strong cash flows contributed to the Group's sound financial position, with net cash flows from operating activities of $133.5 million over the year to 30 June 2019. The operating cash conversion rate, which is net operating cashflows excluding interest, finance costs and income tax paid divided by EBITDA is approximately 113%.

Total equity of $592.5 million at 30 June 2019 compares with $471.5m at 30 June 2018, an increase of $121.0 million or 26% over the year.

Strategic initiatives

The Group focused on the following key strategic initiatives during the year:

1. **Continued Organic Growth and Acquisitions:**
- Enhancing our value proposition to meet client needs across the CTM global network.
- Leveraging clients across all lines of business (CTM, ETM, B2B, B2C).
- Executing upon merger and acquisition opportunities that add scale, niche, and/or geography, including Lotus Travel in Asia and Platinum Travel in ANZ.

2. **Client Facing Innovation:**
- Expanding SMART technology globally by developing new tools for and with our clients.
- Through regional technology hubs, building tools that address local or regional market requirements.

3. **Productivity and Internal Innovation:**
- Internal innovation feedback loops, to improve and automate existing client and non-client facing processes.
- Staff empowerment to make service decisions to drive high staff engagement and client satisfaction outcomes.

Managing Director's Report (continued)

Strategic initiatives (continued)

4. **Leveraging our Scale and Geography:**
- Capitalising on scale and our global network, to develop and optimise supplier performance for our clients.
- Continuing to demonstrate that CTM is a valuable partner in the global travel supply chain.

5. **Our People:**
- Continuing to attract, retain and develop the industry's brightest talent.
- Empowering our team to support our clients' needs.
- Embracing a culture that represents our values and business drivers.

Employees

A competent and motivated workforce is integral to CTM's success. CTM employs over 2,600 employees (full time equivalents).

CTM's culture is founded upon the principle of empowering its people, through good processes and excellent training, to grow, evolve, and deliver the superior service that CTM's clients demand. CTM continues to invest in its people, through its in-house training programs, selective recruitment and a commitment to provide the resourcing to support its people in delivering service excellence to clients.

The Board and the senior management team appreciate and recognise the contribution that CTM's staff have made to the Group's strong performance. Their professionalism and commitment have been fundamental to the development of CTM's reputation as a highly valued business partner for its clients.

Positioning for the Future

As we look forward to 2020, CTM remains confident that its customer value proposition remains compelling and that there is enormous untapped potential in each of the markets in which we operate.

CTM now has in place regional technology hubs to ensure that we build client facing technology that address local and regional market requirements. This approach will assist our organic growth through client wins and retentions, which coupled with pursuing further merger and acquisition opportunities that add scale, niche and geography will ensure that CTM is well positioned for further growth.

CTM's focus remains its clients and staff, to ensure its service offering is both innovative and cost effective, and enabling staff to offer the personalised service and expertise demanded by clients.

Conclusion

I would like to take this opportunity to thank the Board, management team and staff for their efforts, and congratulate them on the continued success of CTM as a leading-edge and profitable corporate travel solutions company.

I would also like to thank CTM's shareholders and, most importantly, CTM's clients for their continuing support.

Yours sincerely

Jamie Pherous
Managing Director
Corporate Travel Management Limited
21 August 2019

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 financial year ended 30 June 2019.

Directors

The following persons were Directors of Corporate Travel Management Limited during the financial year and until the date of this report for the entire period unless otherwise stated:

- Ewen Crouch AM (Chairman) (appointed on 25 March 2019).
- Tony Bellas (Chairman) (resigned 25 March 2019).
- Jamie Pherous (Managing Director).
- Stephen Lonie (Independent Non-Executive Director).
- Greg Moynihan (Independent Non-Executive Director).
- Admiral Robert J. Natter, U.S. Navy (Ret.) (Independent Non-Executive Director).
- Laura Ruffles (Executive Director).

Principal activities

The principal activities of the Group during the year consisted of managing the purchase and delivery of travel services for its clients. There were no significant changes in the nature of the activities of the Group during the year.

Dividends

Dividends paid to members during the financial year were as follows:

	2019 $'000
Final ordinary dividend for the year ended 30 June 2018 of 21.0 cents per fully paid share paid on 4 October 2018	22,734
Interim ordinary dividend for the year ended 30 June 2019 of 18.0 cents per fully paid share paid on 12 April 2019	19,529
Total dividends paid	**42,263**

Since the end of the financial year, the Directors have recommended the payment of a final ordinary dividend of $23,868,229 (22.0 cents per fully paid share, 50% franked), to be paid on 3 October 2019 out of retained earnings at 30 June 2019.

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

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

	2019 $'000	2018 $'000	Change %
Total Transaction Value (TTV) (unaudited)	6,457,480	4,958,331	30%
Revenue and other income	449,483	372,236	21%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	143,760	124,598	15%
Acquisition/one-off/non-recurring costs	6,330	852	
Underlying EBITDA (adjusted for acquisition/one-off/non-recurring costs)[1]	150,090	125,450	20%
Statutory net profit after tax (NPAT):	89,473	80,582	11%
NPAT - attributable to owners of CTM	86,235	76,712	12%
Acquisition/one-off/non-recurring costs (tax effected)	5,053	708	
Underlying NPAT - attributable to owners of CTM	91,288	77,420	18%
Amortisation of client intangibles (tax effected)	5,576	8,561	
Underlying NPAT - Attributable to owners (excluding acquisition amortisation)	96,864	85,981	13%

Review of operations (continued)

[1] Management assess the performance of the business based on a measure of underlying EBITDA. This measurement basis excludes the effects of the costs of acquisitions, acquisition related adjustments, and other non-recurring items during the year. Refer note 1 – segment reporting.

The net profit after tax of the Group for the financial period amounted to $86,235,000 (2018: $76,712,000). The result was underpinned by a 20% increase in revenue.

Strong organic growth and cost management has underpinned the performance, with a record value of new client wins in the period.

In addition, underlying EBITDA grew by 20% to $150.1 million, with the reconciliation to profit before income tax from continuing operations as set out in note 1 in the financial statements. On a constant currency basis, underlying EBITDA grew by 14% to $142.8 million. Strong organic growth has underpinned the performance, with client wins and retentions of historically high levels. There has been strong translation of revenue to EBITDA due to benefits of CTM's growing scale, technology and integrated automation, despite the increase move to on-line (lower yielding) transactions.

	2019 $'000	**2018 $'000**	**2017 $'000**	**2016 $'000**	**2015 $'000**
Statutory net profit after tax:					
Attributable to members	86,235	76,712	54,556	42,134	26,367
Attributable to minority interest	3,238	3,870	3,282	3,609	2,727
Shareholder funds	364,368	301,747	281,847	175,231	161,675
Basic EPS (cents per share)	79.6	72.4	53.5	43.2	28.1
Basic EPS growth	10%	35%	24%	54%	48%
Return on equity	24%	25%	19%	24%	16%
Dividend per share - year end	22.00	21.00	18.00	15.00	10.00
Dividend per share - interim	18.00	15.00	12.00	9.00	6.00
Dividend per share - full financial year	40.00	36.00	30.00	24.00	16.00

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 revenue streams. TTV does not represent revenue in accordance with Australian Accounting Standards and is not subject to audit. TTV is stated net of GST. TTV is utilised by management as a key travel industry metric.

	2019 $'000	**2018 $'000**
TTV net of GST (unaudited)	6,457,480	4,958,331

The Group maintained strong growth in TTV (unaudited). The Group continues to grow market share particularly in regions where the CTM SMART Technology suite has been fully implemented.

CTM also continues to maintain a strong financial position, with net current assets of $110.3 million and total equity of $592.5 million. At 30 June 2019, the Group had $39.3 million (2018: $44.0 million) in borrowings.

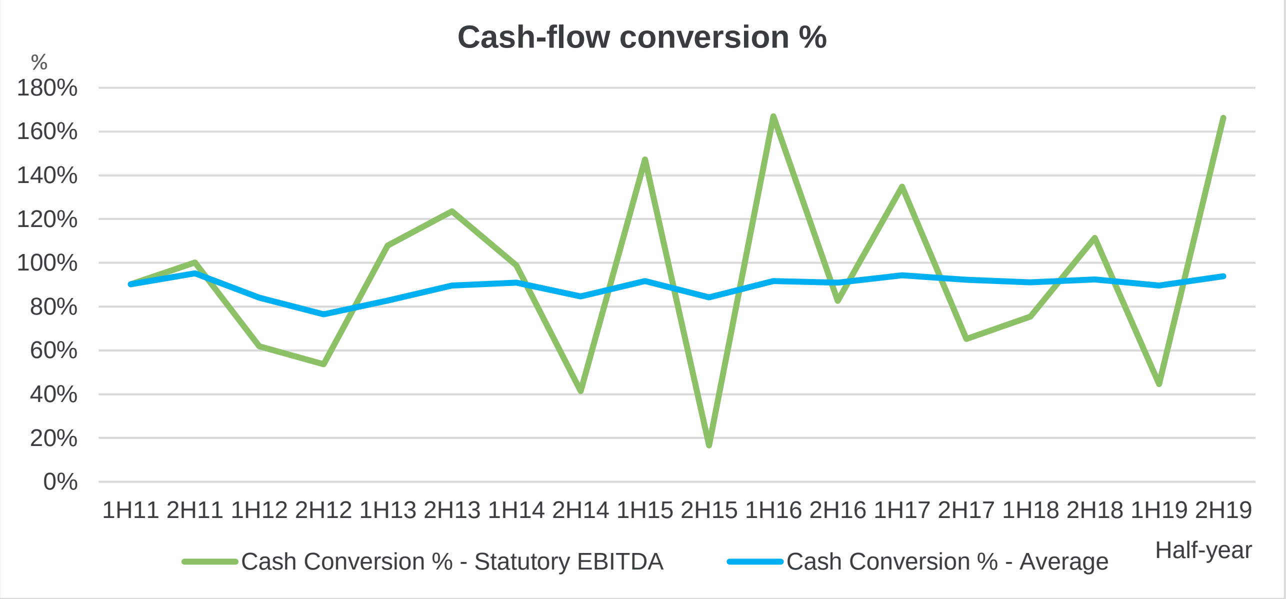
The Company continues to pay dividends at its stated dividend policy level (refer note 14), with a final dividend declared at 22.0 cents per share (full year: 40.0 cents). This dividend represents an increase of 11% on the preceding period.

Financing and working capital

The timing of fixed supplier payment cycle relative to reporting dates results in short term fluctuations in reporting cash flow. The operating cash flow conversion for the year ended 30 June 2019 was 113%. Cash conversion since the time of IPO is demonstrated in the following graph:

Review of operations (continued)

Financing and working capital (continued)



The operating cash conversion rate, which is net operating cashflows excluding interest, finance costs and income tax paid divided by EBITDA is approximately 113%.

As at 30 June 2019, borrowings totalled $39.3 million, representing a debt to equity ratio of approximately 7%.

Bank Guarantees

The Group has drawn on its financing facilities to put in place bank guarantees totalling $123.0 million. These guarantees are used primarily for trade support for transactions with airlines in Greater China and European rail, which are strongly growing businesses.

The requirement for these bank guarantees is mandatory by these suppliers and represents a significant barrier to entry for competitors and new entrants in these markets, which are constrained by growth or financial capacity, and provides an important competitive advantage for CTM.

Following the Lotus acquisition in October 2018, guarantees increased by $54.6 million to $138.2 million in December 2018.

Since 31 December 2018, the guarantees balance has reduced by $15.2 million. Subsequent to 30 June 2019, guarantees have decreased by a further $27.1 million and at the date of this report total guarantees are $95.9 million. This represents a $42.3 million or 30% decrease on the guarantees balance at 31 December 2018. The business continues to rationalise guarantees with suppliers, particularly in Asia.

Subsequent to 30 June 2019, the Group refinanced the senior debt facilities. Details of the new facility are shown at note 18. The new facility offers CTM improved rates, lower annual costs, bank diversity and allows for future growth and flexibility.

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 2019 financial year 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 2018 financial year, to remove the impact of foreign exchange movements in assessing the Group's performance against the prior year. The constant currency comparatives are not compliant with Australian Accounting Standards.

Review of operations (continued)

Review of underlying operations

The key financial results by region are summarised in the following table:

	CTM Consolidated			Australia & New Zealand			North America			Asia			Europe			Group		
	2019 $'m	2018 $'m		2019 $'m	2018 $'m		2019 $'m	2018 $'m		2019 $'m	2018 $'m		2019 $'m	2018 $'m		2019 $'m	2018 $'m	
Reported AUD																		
TTV	6,457.5	4,958.3	30%	1,335.5	1,155.9	16%	1,459.1	1,306.1	12%	2,519.0	1,483.0	70%	1,143.9	1,013.3	13%	-	-	
Revenue	446.7	371.0	20%	121.7	108.5	12%	149.3	127.0	18%	80.4	53.8	49%	95.3	81.7	17%	-	-	
Underlying EBITDA	150.1	125.4	20%	51.5	44.0	17%	43.5	37.9	15%	24.7	19.5	27%	40.9	34.2	20%	(10.5)	(10.2)	3%
Underlying EBITDA as % of Revenue	33.6%	33.8%		42.3%	40.6%		29.1%	29.8%		30.7%	36.2%		42.9%	41.9%				
Constant Currency*																		
TTV	6,093.9	4,958.3	23%	1,334.6	1,155.9	15%	1,344.5	1,306.1	3%	2,320.5	1,483.0	56%	1,094.3	1,013.3	8%	-	-	
Revenue	424.3	371.0	14%	121.6	108.5	12%	137.4	127.0	8%	74.1	53.8	38%	91.2	81.7	12%	-	-	
Underlying EBITDA	142.8	125.4	14%	51.5	44.0	17%	39.9	37.9	5%	22.9	19.5	17%	39.0	34.2	14%	(10.5)	(10.2)	3%
Underlying EBITDA as % of Revenue	33.7%	33.8%		42.4%	40.6%		29.0%	29.8%		30.9%	36.2%		42.8%	41.9%				

* Constant currency reflects June 2018 as previously reported. June 2019 represents local currency converted at FY2018 average foreign currency rates.

Australia and New Zealand ("ANZ")
Revenue rose by 12% to $121.7 million for the year ended 30 June 2019. The increased revenue has flowed through to the underlying EBITDA, which rose by 17% to $51.5 million, with an improved margin of 42.3%. The region continued to grow its market share through new client wins and continues its historic outperformance to market since listing. In the lead up to the federal election, the region experienced a softening in activity which is attributed to uncertainty in the market. Post election, the region experienced a return to normal trading. ANZ has again been a significant contributor to the Group's profit.

North America
Revenue grew by 18% to $149.3 million for the year ended 30 June 2019. The underlying EBITDA rose by 15% to $43.5 million. As previously indicated to shareholders, this revenue growth was partially offset by $2.9 million technology hub development costs expensed in this financial year that did not exist last year. The underlying EBITDA margin declined from 29.8% to 29.1% largely as a result of the technology hub development costs. The technology solution (SMART and Lightning) is now in place in the region which will assist in driving further market share growth opportunities.

Asia
Revenue grew by 49% to $80.4 million for the year ended 30 June 2019 and underlying EBITDA grew by 27% to $24.7 million. Lotus Travel was acquired on 2 October 2018. The underlying EBITDA margin decreased from 36.2% to 30.7% due to the impact of the Lotus nine-month contribution, as Lotus was acquired on a lower revenue and profit margin than the existing CTM business. Lotus Travel is now fully integrated. The underlying EBITDA results excludes $4.2 million of non-recurring integration costs. The second half was impacted by the US/China trade discussions and the Hong Kong demonstrations.

Europe
The operation in Europe contributed $95.3 million in revenue for the year 30 ended June 2019, an increase of 17% on prior year. The underlying EBITDA for the Europe business rose by 20% to $40.9 million and the underlying EBITDA margin increased from 41.9% to 42.9% as a result of improved supplier negotiations. The business continues to win market share despite Brexit and the resulting effect of Brexit uncertainty.

Strategy and future performance

The Group continues to focus on its key strategic drivers, being:

- Implementing and integrating its acquisitions;
- Retaining current clients;
- Winning new clients;
- Innovative technology such as client tools and internal processes, to enhance service to clients and improve internal productivity; and
- Staff engagement.

In the 2019 financial year, the Group executed well on these business drivers, with maintenance of the historically strong client retention numbers, a record year of new client wins and improved productivity and high staff engagement outcomes in all regions.

A vast proportion of CTM's cost base is employee costs, which highlights the importance of productivity initiatives. During the year, there has been an increase in productivity, but not through a reduction of service. In fact, service levels have risen as automation has replaced manual processes, providing CTM's consultants with the time to operate more effectively and for the benefit of clients.

Review of operations (continued)

Strategy and future performance (continued)

The Group intends to continue to pursue the opportunity for its growth globally through organic growth as well as exploring acquisition opportunities in each regional market, underpinned by a focus on client service, supported by the continued investment in new technology for its clients.

The Group is subject to both specific risks to its business activities and risks of a general nature.

Material business risks

These strategic risks include:

- The Group operates in multiple jurisdictions subject to trade negotiations such as those occurring in Europe and between the US and China, which may impact the Group's operations, and are also subject to differing regulatory environments and may be impacted by changes in government policy.
- Global conflicts, terrorism and pandemics: International travel remains susceptible to the impact of regional conflicts, terrorism and health pandemics.
- Economic conditions: Economic downturns, both globally and regionally, may have an adverse impact on the Group's operating performance.
- Foreign exchange: The volatility of foreign exchange markets impacts on the Australian dollar results for the Group, which is mitigated by matching funding sources to operating cash flows.
- Financial structure: The Group has acquired a number of businesses, all of which has resulted in the creation of significant intangible assets, the recoverability of which is totally dependent upon future performance, including depending on major contracts. For further commentary refer note 15 – impairment. New acquisitions also require additional resources and integration into the existing businesses. These can result in additional risk whilst the Group completes these processes.
- Information technology: The Group relies on both its outsourced technology platforms and develops its own IP. Whilst all systems are licensed, any disruption to supply or performance of systems may have an immediate and a longer term impact on client and supplier satisfaction and company performance. The Group's internal and outsourced systems are also subject to potential cyber-attacks. For example, cyber-attacks on airline operators could cause significant disruption to travel schedules.
- Competition: The Group operates in a competitive market, and current competitors or new competitors may become more effective.
- Key personnel: The Group is reliant on talent and experience to run its business. The Group's ability to retain and attract key people is important to its continued success. The company regularly reviews its succession planning to ensure that key personnel risk is identified.
- Financial risk management: refer note 16, for discussion on interest rate risk, credit risk, liquidity risk and foreign exchange risk.

Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group during the financial year not otherwise disclosed in this report or the consolidated financial statements.

Events since the end of the financial year

Other than the following items, there have been no 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.

On 7 August 2019 the Group entered into a $225 million (GBP 125 million) multi-currency syndicated facility. The new Syndicated Facility Agreement is with HSBC UK Bank plc, Commonwealth Bank of Australia and Barclays Bank plc.

This facility replaces the existing facility in place at 30 June 2019 – refer note 12. The new facility offers CTM improved rates, lower annual costs, bank diversity and allows for future growth and flexibility.

As part of the new agreement is a permitted indebtedness basket of $406 million (GBP 225 million) in support of transactional banking facilities including bank guarantees, merchant facilities and overdrafts.

Likely developments and expected results of operations

Further information on likely developments in the Group's operations and the expected results of operations has not been included in this report because the Directors consider that would be likely to result in unreasonable prejudice to the Group.

Directors' Report (continued)

Environmental regulation

The Group has determined that no particular or significant environment regulations apply to its operations.

The Directors have considered climate-related risks and do not currently deem there to be an associated material risk to the Group's operations and the amounts recognised in the financial statements. The Group continues to monitor climate-related and other emerging risks and the potential impact on the financial statements.

Information on Directors

The following information is current as of the date of report.

Mr Ewen Crouch AM, BEc (Hons.), LLB, FAICD – Independent Non-Executive Director – Chairman		
Experience and expertise	Ewen Crouch was a Partner at Allens from 1988-2013. He served as a member of the firm's board for 11 years, including four years as Chairman of Partners and was co-head mergers & acquisitions and equity capital markets from 2004-2010. He was a director of Mission Australia from 1995, including as Chairman from 2009, until retiring in November 2016. He is a member of the Commonwealth Remuneration Tribunal and a director of Jawun and Sydney Symphony Orchestra. He served as a member of the Takeovers Panel from 2010-2015. Ewen Crouch was appointed as Chairman on 25 March 2019.	
Listed Company Directorships (including key dates)	BlueScope Steel Limited (since March 2013) and Westpac Banking Corporation (since February 2013).	
Special responsibilities	Chair of the Board Chair of Nomination Committee Audit Committee member Risk Management Committee member Remuneration Committee member	
Interests in shares and options	Ordinary shares in Corporate Travel Management Limited	5,000

Mr Jamie Pherous, BCom – Executive Director, Managing Director		
Experience and expertise	Jamie Pherous founded Corporate Travel Management Limited (CTM) in Brisbane in 1994. He has built the Group from its headquarters in Brisbane to become one of the world's largest travel management companies. Prior to establishing CTM, Jamie Pherous was employed by Arthur Andersen, now Ernst & Young, as a qualified Chartered Accountant, specialising in business services and financial consulting, notably in Australia, Papua New Guinea and the United Arab Emirates.	
Listed Company Directorships (including key dates)	None.	
Special responsibilities	Managing Director	
Interests in shares and options	Ordinary shares in Corporate Travel Management Limited	21,266,893

Mr Stephen Lonie, BCom, MBA, FCA, SFFin, FAICD, FIMCA, Senior MACS – Independent Non-Executive Director		
Experience and expertise	Stephen Lonie is a Chartered Accountant and is a former Managing Partner Queensland of the international accounting and consulting firm, KPMG. He now practices as an independent management consultant and business adviser.	
Listed Company Directorships (including key dates)	MyState Limited (since 2012), Apollo Tourism and Leisure Ltd (since 2016) and Retail Food Group Limited (2013-2018).	
Special responsibilities	Chair of Audit Committee Chair of Risk Management Committee Remuneration Committee member Nomination Committee member	
Interests in shares and options	Ordinary shares in Corporate Travel Management Limited	254,312

Information on Directors (continued)

Mr Greg Moynihan, BCom, Grad Dip SIA, CPA, SFFIN, MAICD – Independent Non-Executive Director		
Experience and expertise	Greg Moynihan is a former Chief Executive Officer of Metway Bank Limited. He has also held senior executive positions with Citibank Australia and Suncorp Metway. Since leaving Suncorp Metway in 2003, Greg Moynihan has focused on his commitments as a Non-Executive Company Director, as well as pursuing business interests in the investment management and private equity sectors.	
Listed Company Directorships (including key dates)	Shine Corporate Limited (since 2013).	
Special responsibilities	Chair of Remuneration Committee Nomination Committee member Audit Committee member Risk Management Committee member	
Interests in shares and options	Ordinary shares in Corporate Travel Management Limited	254,312

Admiral Robert J. Natter, US Navy (Ret.) – Independent Non-Executive Director		
Experience and expertise	Robert Natter retired from active military service in 2003 and now has over 15 years of experience in both the government and private sectors in the North American market. In his Navy career, Robert Natter served as the Commander of the U.S. Seventh Fleet operating throughout Asia and the Indian Ocean; Commander in Chief of the U.S Atlantic Fleet; and the first Commander of U.S. Fleet Forces, overseeing all Continental U.S. Navy bases, facilities and training operations. Until this year, Robert Natter served as Chairman of the U.S. Naval Academy Alumni Association representing about 60,000 graduates. He now serves on the Naval Academy Foundation Board. He served for 10 years on the Board of BAE systems, Inc. (the U.S. based subsidiary of BAE Systems Plc). He currently serves on the Board of Allied Universal (a privately held US based security company with over 210,000 employees) and is Chairman of the Governance and Compensation Committees. He also served on the Board of the U.S. National Navy Seal Museum and was Chairman of G4S Government Solutions Inc.	
Listed Company Directorships (including key dates)	NOVONIX Limited (since 2017).	
Special responsibilities	Remuneration Committee member Nomination Committee member	
Interests in shares and options	Ordinary shares in Corporate Travel Management Limited	119,200

Laura Ruffles – MBA, GAICD – Executive Director, COO		
Experience and expertise	Laura Ruffles is CTM's Chief Operating Officer and, in late 2015, was appointed an Executive Director in recognition of her leadership contribution. She has significant local, regional and global industry experience and, in a career of more than 20 years, has led teams across sales, account management, operations and technology. Laura Ruffles is responsible for all aspects of CTM's business performance. She joined CTM in 2010 and has been a key contributor to its successful growth. She is also a Director of the Australia Federation of Travel Agents.	
Listed Company Directorships (including key dates)	None.	
Special responsibilities	Executive Director	
Interests in shares and options	Ordinary shares in Corporate Travel Management Limited Share appreciation rights over ordinary shares in Corporate Travel Management Limited	177,915 500,000

Directors' Report (continued)

Company secretaries

- Mrs Suzanne Yeates (Joint Company Secretary).
- Mr Steve Fleming (Joint Company Secretary).

Suzanne Yeates, BBus (Accounting), CA

Suzanne Yeates is a Chartered Accountant, Founder and Principal of Outsourced Accounting Solutions Pty Ltd. She holds similar positions with other public and private companies.

Steve Fleming, BBus (Accounting), CA

Steve Fleming was CTM's Global Chief Financial Officer until 9 July 2019 and is now CFO for the Europe region.

Steve Fleming has more than 20 years' experience in commercial finance roles gained with high growth companies across a number of industries and countries, including Abbey National, TrizecHahn, Deutsche Bank and Arthur Andersen. Prior to joining CTM in 2009, Steve Fleming was Group Finance Manager of Super Retail Group Ltd.

Steve Fleming is a member of the Institute of Chartered Accountants in Australia.

Meetings of Directors

The numbers of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 30 June 2019, and the numbers of meetings attended by each Director were:

Director	Full meetings of directors		Committee meetings							
			Audit		Risk Management		Remuneration		Nomination	
	A	B	A	B	A	B	A	B	A	B
Mr Ewen Crouch AM	4	4	1	1	-	-	1	1	1	1
Mr Tony Bellas	8	8	4	4	3	3	4	4	1	1
Mr Stephen Lonie	10	12	5	5	3	3	5	5	2	2
Mr Greg Moynihan	12	12	5	5	3	3	5	5	2	2
Mr Jamie Pherous	11	12	*	*	*	*	*	*	*	*
Admiral Robert J. Natter	10	12	*	*	*	*	5	5	2	2
Ms Laura Ruffles	11	12	*	*	*	*	*	*	*	*

A = Number of meetings attended.
B = Number of meetings held during the time the Director held office or was a member of the Committee during the year.
* Not a member of the relevant Committee.

Remuneration report

The Directors are pleased to present Corporate Travel Management Limited's 2019 remuneration report, outlining key aspects of the Group's remuneration policy and framework, as well as remuneration awarded in the year.

The report is structured as follows:

1. CTM's remuneration framework.
2. Key elements of remuneration.
3. Who is covered by this report.
4. Details of Executive KMP remuneration.
5. Contractual arrangements for Executive KMP.
6. Non-executive director arrangements.
7. Additional required disclosures.

Remuneration report (continued)

1. CTM's remuneration framework

The following section outlines CTM's remuneration framework and the policies that underpin it. Information is presented in a question and answer format.

Key questions	CTM's approach	Further info
Remuneration framework		
1. What is the objective of the Group's senior executive reward framework?	The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns senior executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for the delivery of senior executive rewards. The Board ensures that the approach to senior executive reward satisfies the following key criteria for good reward governance practices: • Competitiveness and reasonableness; • Alignment to the interests of shareholders and other stakeholders; • Performance linkage and alignment of executive compensation; • Transparency; and • Capital management.	
2. What are the key elements of the remuneration framework?	The framework is based on the following key elements: • Alignment to shareholders' interests, which: ○ Has economic profit as a core component of plan design; ○ Focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering an appropriate return on assets, as well as focusing the executive on key non-financial drivers of value; and ○ Attracts and retains high calibre senior executives. • Alignment to program participants' interests, which: ○ Rewards capability and expertise; ○ Reflects competitive reward for contribution to growth in shareholder wealth; ○ Provides a clear structure for earning rewards; and ○ Provides recognition for individual and team contributions.	
3. What is the role of the Remuneration Committee?	The Remuneration Committee is a Committee of the Board and its role is to advise the Board on remuneration and issues relevant to remuneration policies and practices, including for senior executives and Non-Executive Directors. CTM's Corporate Governance Statement provides further information on the role of this Committee.	Section 2
4. What proportion of remuneration is at risk?	The framework provides for a mix of fixed and variable remuneration, and a blend of short and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of 'at risk' rewards. The proportion of short-term incentives (STI) and long-term incentives (LTI) (relative to fixed pay) is set at the start of the financial year, along with all relevant KPI's.	Section 4

Remuneration report (continued)

1. CTM's remuneration framework (continued)

Key questions	CTM's approach	Further info
5. How is CTM's performance reflected in this year's remuneration outcomes?	CTM's remuneration outcomes are strongly linked to delivery of return on investment to shareholders over the short and long term. **Short term:** CTM's performance in 2019 in terms of EBITDA and other financial targets, as well as non-financial strategic targets is reflected in STI payments in the range of 40%-90% for Executive KMP. **Long term:** The three-year performance period for the FY17 LTI completed on 30 June 2019. Based on strong growth in earnings per share (EPS), the performance conditions pertaining to the FY17 share appreciation rights have been achieved. CTM's Board is committed to ensuring senior executives' remuneration links to return on investment for shareholders and, therefore, will continue to use EPS growth as the primary performance metric for the FY20 LTI award.	Section 4
6. What are the performance measures for LTI?	Target earnings per share growth of 10% per annum average over a three-year vesting period.	Section 4
7. What changes have been made to the remuneration structure in FY19?	There have been no significant changes to the approach to remuneration in FY19.	
8. Are any changes planned for FY20?	There are no significant changes planned for FY20. However, in line with previous years, the Board will review and adjust (if necessary) the threshold and performance levels for the performance objectives applicable to the STI and LTI awards.	

2. Key elements of remuneration

The executive remuneration framework has three components:

- Fixed pay;
- Short-term performance incentives (STI); and
- Long-term incentives through participation in the Share Appreciation Rights Plan (LTI).

Remuneration report (continued)

2. Key elements of remuneration (continued)

Additional detail on each of these components is included in the following table.

Key elements of remuneration

Fixed Pay
Fixed pay includes base remuneration and benefits and is structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' reasonable discretion.

Senior executives are offered a competitive base remuneration package that comprises the fixed component of remuneration and rewards. Base remuneration for executives is reviewed annually, to ensure the executive's remuneration is competitive with the market. An executive's remuneration is also reviewed on promotion.

There is no guaranteed base remuneration increase included in any executives' contracts.

In Australia, superannuation contributions are paid in accordance with relevant Government legislation, to employee nominated defined contribution superannuation funds.

STI
Based on a pre-determined profit targets set annually by the Remuneration Committee, a short-term incentive ("STI") pool is available to senior executives and other eligible participants. Cash incentives/bonuses are payable around 30 September each year. A profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with CTM's approved business plan. The incentive pool is increased for performance above the profit target, in order to provide an incentive for superior performance.

Senior executives have a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance.

STI (continued)
Each year, the Remuneration Committee considers the appropriate targets and key performance indicators ("KPI"s), to link the STI plan and the level of payout if targets are met, including setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

The Remuneration Committee is responsible for assessing whether the KPIs are met. The Remuneration Committee also has absolute discretion to adjust short-term incentives, in light of unexpected or unintended circumstances.

Additional detail on the STI scheme is included in *Section 4: Details of Executive KMP remuneration*.

LTI
The Group has a long term incentive scheme using a Share Appreciation Rights Plan. The Plan is designed to focus executives on delivering long-term shareholder returns.

Under the Plan, participants are granted rights if performance conditions pertaining to the earnings per share growth are met and the employee is still employed at the end of the three year vesting period.

Participation in the Plan is at the Board's absolute discretion and no individual has a contractual right to participate in the Plan.

Additional detail on the LTI scheme is included in *Section 4: Details of Executive KMP remuneration*.

The combination of these components comprises a senior executive's total remuneration. The Group intends to continue to review incentive plans during the year ending 30 June 2020 to ensure continued alignment with the Group's financial and strategic objectives.

Remuneration report (continued)

3. Who is covered by this report

This Remuneration Report sets out remuneration information for CTM's Non-Executive Directors, Executive Directors and other key management personnel (KMP) of the Group, which includes the following persons:

Board of Directors	Other Group KMP
Non-Executive Directors Mr Ewen Crouch AM (appointed 25 March 2019). Mr Tony Bellas (resigned 25 March 2019). Mr Stephen Lonie. Mr Greg Moynihan. Admiral Robert J. Natter. **Executive Directors** Mr Jamie Pherous. Ms Laura Ruffles.	Mr Steve Fleming – Global CFO* (appointed CFO of Europe on 9 July 2019). Mr Larry Lo – CEO – Asia. Mr Chris Thelen – CEO - North America. Ms Debbie Carling – CEO - Europe. Mr Greg McCarthy – CEO Australia and New Zealand (appointed 1 July 2018).

* Neale O'Connell was appointed Global CFO on 9 July 2019 and will be a KMP for the 2020 financial year.

4. Details of Executive KMP remuneration

Remuneration outcomes are disclosed in accordance with Australian accounting standards.

		Fixed remuneration				Variable remuneration			
Name	Year	Cash salary and fees $	Non-cash benefits[1] $	Leave[2] $	Super-annuation $	Short-term Incentive $	Long-term incentive[3] $	Total $	Perfor-mance Related %
Executive Directors									
Jamie Pherous[4]	**2019**	**470,808**	**8,908**	**23,857**	**39,531**	**100,000**	**-**	**643,104**	**16%**
	2018	460,319	8,904	3,203	62,730	200,000	-	735,156	27%
Laura Ruffles	**2019**	**700,000**	**10,280**	**66,058**	**76,229**	**630,000**	**473,109**	**1,955,676**	**56%**
	2018	588,219	10,954	29,919	106,516	533,000	274,855	1,543,463	52%
Other key management personnel of the Group									
Steve Fleming[5]	**2019**	**497,521**	**-**	**(9,046)**	**47,265**	**135,688**	**223,024**	**894,452**	**40%**
	2018	486,417	-	-	45,299	173,392	134,391	839,499	37%
Larry Lo[5]	**2019**	**562,457**	**-**	**8,533**	**3,206**	**149,608**	**223,024**	**946,828**	**39%**
	2018	501,051	-	(9,447)	2,963	184,361	134,391	813,319	39%
Chris Thelen[5]	**2019**	**642,198**	**-**	**(1,371)**	**-**	**83,790**	**223,024**	**947,641**	**32%**
	2018	579,524	-	(8,916)	-	128,783	102,909	802,300	29%
Debbie Carling[5]	**2019**	**345,220**	**-**	**4,384**	**7,519**	**144,734**	**223,024**	**724,881**	**51%**
	2018	292,391	-	(1,500)	3,641	138,714	119,699	552,945	47%
Greg McCarthy	**2019**	**379,951**	**-**	**12,252**	**20,531**	**40,000**	**160,153**	**612,887**	**33%**
	2018	-	-	-	-	-	-	-	-
Total Executive KMP	**2019**	**3,598,155**	**19,188**	**104,667**	**194,281**	**1,283,820**	**1,525,358**	**6,725,469**	
	2018	2,907,921	19,858	13,259	221,149	1,358,250	766,245	5,286,682	

[1] Non-cash benefits represents the cost to the Group of providing parking.
[2] Leave represents the movement in the annual leave and long service leave provision balances. The accounting value may be negative, for example, when an Executive's leave balance decreases as a result of taking more than the entitlement accrued during the year.
[3] Long-term incentive represents amounts expensed during the year relating to share appreciation rights granted to date and not yet vested.
[4] Jamie Pherous does not participate in the Long-Term Incentive Scheme. The preliminary estimate of his STI was $200,000, however, Jamie Pherous offered, and the Board agreed, to forego 50% of his STI.
[5] Payments made to Steve Fleming, Larry Lo, Chris Thelen and Debbie Carling are in local currency and converted at average exchange rates.

Remuneration report (continued)

4. Details of Executive KMP remuneration (continued)

Short-term incentive (STI)
The key components of the Group's STI structure as follows:

Purpose	The STI scheme is designed to reward and recognise outstanding employee performance, provided the Group can also demonstrate it has created value for its shareholders.
Participants	All Executive KMP participate in the STI scheme.
Performance conditions	For the year ended 30 June 2019, the key performance indicators (KPIs) linked to STI plans were based on the Group objectives, with the key financial metric being consolidated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). Other KPIs' include the achievement of business plans, client retention and satisfaction, and staff satisfaction. All KPIs are measurable and have performance benchmarks.
Structure	If the Group achieves a pre-determined adjusted EBITDA target set by the Remuneration Committee, a short-term incentive ("STI") pool is available to executives and other eligible participants. The adjusted EBITDA target set by the Remuneration Committee represents EBITDA adjusted for non-recurring items, currency movements, and items such as merger and acquisition activity. Executives have a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. The average maximum target bonus opportunity for Executive KMP in the 2019 year was approximately 44% (2018: 47%) of base fixed remuneration and benefits.

Payments made under the STI plan are highly correlated with the Group's financial results. The relationship between STI and Corporate Travel Management Ltd's performance over the last 5 years is set out in the following table.

Item	2019	2018	2017	2016	2015
Profit for the year attributable to owners of Corporate Travel Management Ltd ($'000)	86,235	76,712	54,556	42,134	26,367
Basic earnings per share (cents)	79.6	72.4	53.5	43.2	28.1
Dividend payments ($'000)	42,263	34,964	27,554	18,539	12,609
Dividend payout ratio (%)*	49.0%	45.6%	50.5%	44.0%	47.8%
Increase/(decrease) in share price %	-17.6%	19.0%	63.9%	35.8%	60.6%
Total KMP STI as a percentage of profit/(loss) for the year (%)	1.6%	1.9%	2.2%	2.1%	2.7%

* Dividend payout ratio based on dividends paid in respect of the financial year.

For each short term incentive included in the table on page 18, the percentage split of the available bonus awarded and forfeited is disclosed in the following table.

Name	2019		2018	
	Awarded %	Forfeited %	Awarded %	Forfeited %
Jamie Pherous	40%	60%	80%	20%
Laura Ruffles	90%	10%	89%	11%
Steve Fleming	60%	40%	80%	20%
Larry Lo	60%	40%	80%	20%
Chris Thelen	30%	70%	50%	50%
Debbie Carling	80%	20%	80%	20%
Greg McCarthy	80%	20%	-	-

Remuneration report (continued)

4. Details of Executive KMP remuneration (continued)

Long-term incentive (LTI)
The Group introduced a long-term incentive scheme using a Share Appreciation Rights Plan during the 2013 financial year. The key components of the Plan as follows.

Purpose	The purpose of the LTI scheme at CTM is to provide long-term incentives to senior executives to deliver long-term shareholder returns.
Eligibility	Participation in the plan is at the Board's absolute discretion and no individual has a contractual right to participate in the plan.
Instrument	Awards under this plan are made in the form of Share Appreciation Rights (SARs).
Performance period	Performance is measured over a three-year period. The FY19 grant has a performance period commencing 1 July 2018 and ending 30 June 2021.
Performance hurdles	The SARs are subject to average Earnings per Share (EPS) growth over the performance period, with target performance being set at 10% average EPS growth.
Vesting	The SARs will only vest if the performance hurdles are met and the employee remains in service. Once vested, a participant will be deemed to have automatically exercised all vested SARs and CTM will settle in line with the SARs Plan. Upon vesting, the conversion of a SAR to an equity or cash based settlement, is determined using a formula referencing the relevant share prices of CTM, the number of SARs exercised, and is at the Board's sole discretion. Grants made during FY19 will vest on a scaled basis as follows:

Minimum EPS growth from 1 July 2018 to 30 June 2021	Portion of SARs that become performance qualified
80% achievement of target growth rate (i.e. 8% EPS growth)	50% of SARs
90% achievement of target growth rate (i.e. 9% EPS growth)	75% of SARs
100% achievement of target growth rate (i.e. 10% EPS growth)	100% of SARs

SARs will become performance qualified on a straight-line basis where average EPS growth falls between 8-10% EPS growth.

Termination/ forfeiture	Upon termination of employment, all unvested SARs will automatically be forfeited by the participant, unless the Board otherwise determines, in its absolute discretion, to permit some or all of the SARs to vest.
Dilution	Dilution that may result from securities being issued under CTM's LTI plan is capped at the limit set out in ASIC Class Order 14/1000, which provides that the number of unissued securities under those plans must not exceed five per cent of the total number of the securities of that class at the time of the relevant offer.
Hedging	Consistent with the *Corporations Act 2001*, participants are prohibited from hedging their unvested performance rights.

Remuneration report (continued)

4. Details of Executive KMP remuneration (continued)

The following table sets out details of the SARs granted to key management personnel during the financial year under the 2019 allocation and vested under the 2016 allocation, as well as details of SARs granted under prior year awards that have not yet vested as at 30 June 2019.

	Year of grant	Year in which rights may vest	Number of rights granted	Value per right at grant date	Number of rights vested during the year	Vested %	Forfeited %	Max value yet to vest $
Laura Ruffles	2019	2022	150,000	$4.80	-	-	-	720,690
	2018	2021	150,000	$2.49	-	-	-	374,244
	2017	2020	200,000	$1.62	-	-	-	324,734
	2016	2019	100,000	$1.26	100,000	100%	-	-
Steve Fleming	2019	2022	75,000	$4.80	-	-	-	360,345
	2018	2021	75,000	$2.49				187,122
	2017	2020	75,000	$1.62	-	-	-	121,775
	2016	2019	75,000	$1.26	75,000	100%	-	-
Larry Lo	2019	2022	75,000	$4.80	-	-	-	360,345
	2018	2021	75,000	$2.49				187,122
	2017	2020	75,000	$1.62	-	-	-	121,775
	2016	2019	75,000	$1.26	75,000	100%	-	-
Chris Thelen	2019	2022	75,000	$4.80	-	-	-	360,345
	2018	2021	75,000	$2.49				187,122
	2017	2020	75,000	$1.62	-	-	-	121,775
	2016	2019	-	-	-	-	-	-
Debbie Carling	2019	2022	75,000	$4.80	-	-	-	360,345
	2018	2021	75,000	$2.49				187,122
	2017	2020	75,000	$1.62	-	-	-	121,775
	2016	2019	40,000	$1.26	40,000	100%	-	-
Greg McCarthy	2019	2022	100,000	$4.80	-	-	-	480,460

Remuneration report (continued)

5. Contractual arrangements for Executive KMP

Each Executive KMP member, including the Managing Director, has a formal contract, known as a service agreement. There were no changes to the service agreements for Executive KMP in FY19. Summary of the notice period required for Executive KMP and the Group are included in the table below.

Executive KMP	Contract duration	Notice period by KMP	Notice period by Group	Termination payment
Jamie Pherous	No fixed duration	6 months	6 months	Combination of notice and payment in lieu totalling no less than 6 months.
Laura Ruffles	No fixed duration	24 weeks	24 weeks	Combination of notice and payment in lieu totalling no less than 24 weeks.
Steve Fleming[1]	No fixed duration	6 months	6 months	Combination of notice and payment in lieu totalling no less than 6 months.
Neale O'Connell[1]	No fixed duration	12 weeks	12 weeks	Combination of notice and payment in lieu totalling no less than 12 weeks.
Larry Lo	No fixed duration	6 months	6 months	Combination of notice and payment in lieu totalling no less than 6 months.
Chris Thelen	No fixed duration	6 months	6 months	Combination of notice and payment in lieu totalling no less than 6 months.
Debbie Carling	No fixed duration	3 months	3 months	Combination of notice and payment in lieu totalling no less than 3 months.
Greg McCarthy	No fixed duration	12 weeks	12 weeks	Combination of notice and payment in lieu totalling no less than 12 weeks.

[1] Steve Fleming ceased as an executive KMP on 9 July 2019. Neale O'Connell commenced as an executive KMP on 9 July 2019.

Termination payments are assessed on a case-by-case basis and are capped by law. As is the case for all employees, KMP employment may be terminated immediately by serious misconduct.

6. Non-Executive Director Arrangements

In contrast to Executive KMP remuneration, the remuneration of CTM's Non-Executive Directors is not linked to performance, which is consistent with Non-Executive Directors being responsible for objective and independent oversight of the Group.

Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of Non-Executive Directors. The Chairman is not present at any discussions relating to determination of his own remuneration.

Non-Executive Directors have not received any fees other than those described in this section, and do not receive bonuses or any other incentive payments or retirement benefits. Non-Executive Directors are reimbursed for expenses properly incurred in performing their duties as a Director of CTM.

Directors' fees
The current base fees were last increased with effect from 25 September 2017.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum approved amount currently stands at $700,000 (2018: $700,000).

Remuneration report (continued)

6. Non-Executive Director Arrangements (continued)

Details of the remuneration of the Non-Executive Directors of the Group are set out in the following table.

Name	Year	Director fees	Super-annuation*	Total
Ewen Crouch AM^	**2019**	**59,010**	**5,133**	**64,143**
Tony Bellas^	**2019**	**102,846**	**9,770**	**112,616**
	2018	134,904	12,816	147,720
Stephen Lonie	**2019**	**110,000**	**10,450**	**120,450**
	2018	107,342	10,198	117,540
Greg Moynihan	**2019**	**110,000**	**10,450**	**120,450**
	2018	107,342	10,198	117,540
Admiral Robert J. Natter**	**2019**	**144,618**	**-**	**144,618**
	2018	131,797	-	131,797
Total Non-Executive Director Remuneration	**2019**	**526,474**	**35,803**	**562,277**
	2018	481,385	33,212	514,597

^Tony Bellas resigned as Chairman on 25 March 2019. Ewen Crouch AM was appointed as Chairman on 25 March 2019. The amounts represent remuneration paid to/from the respective dates.
* Superannuation contributions required under the Australian superannuation guarantee legislation are made and are deducted from the Directors' overall fee entitlements.
** Payments made to Admiral Natter are in US Dollars and converted at average exchange rates.

7. Additional required disclosures

Equity instruments held by key management personnel

The number of ordinary shares held during the financial year by CTM's directors and KMP is set out in the following table:

Ordinary shares	Restated Balance at 30 June 2018	Purchased	Disposed	Received on vesting of rights	Other changes during the year	Balance at 30 June 2019
Non-Executive Directors						
Ewen Crouch AM	-	5,000	-	-	-	5,000
Tony Bellas	220,836	-	(180,836)	-	-	N/A[2]
Stephen Lonie	254,312	-	-	-	-	254,312
Greg Moynihan	254,312	-	-	-	-	254,312
Admiral Robert J. Natter	107,200	12,000	-	-	-	119,200
Executive Directors						
Jamie Pherous	21,011,893[1]	255,000	-	-	-	21,266,893
Laura Ruffles	118,124	-	-	59,791	-	177,915
Other key management personnel of the Group						
Steve Fleming	25,131	15,000	-	44,843	-	84,974
Larry Lo	94,433	-	-	44,843	-	139,276
Debbie Carling	22,844		(20,000)	23,917	-	26,761
Chris Thelen	197,099			-	233,908[3]	431,007
Greg McCarthy	-				85,627[4]	85,627

Remuneration report (continued)

7. Additional required disclosures (continued)

[1] As advised to the ASX on 1 April 2019, Mr Jamie Pherous is a director and 25% shareholder of Shamiz Pty Ltd which held 526,893 CTM shares at 30 June 2019. The balance at 30 June 2018 has been restated to reflect this.
[2] Tony Bellas ceased being a director on 25 March 2019.
[3] Equity portion of deferred consideration payment in relation to the Chambers Travel acquisition.
[4] Equity portion of consideration paid for acquisition of SCT Travel Limited on 1 July 2018.

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Shares under option
There are currently no unissued ordinary shares of CTM under option. No share options were granted as equity compensation benefits during the financial year (2018: nil).

Other transactions and balances with key management personnel
Deferred consideration balance of $13.5 million was paid to Chris Thelen in relation to the Chambers Travel acquisition. No remaining deferred consideration is payable to Chris Thelen. Rental expense of $50,805 was also paid to Chris Thelen.

A balance payable to Greg McCarthy is included as consideration payable at 30 June 2019. This payable relates to the acquisition of Platinum Travel has been split between acquisition payable and contingent consideration payable. A working capital adjustment of $44,000 was paid to Greg McCarthy in relation to the Platinum Travel acquisition.

Directors of the Group hold other directorships in public corporations, as detailed in the Directors' Report. Where any of these related entities are clients of the Group, the arrangements are on similar terms to other clients.

Directors and executives can receive travel and event management services. All transactions are made on normal terms and conditions and at market rates. There are no amounts outstanding in relation to these transactions at 30 June 2019.

Insurance of officers and indemnities

An Officers' Deed of Indemnity, Access and Insurance is in place for Directors, the Company Secretaries and some other key executives. The liabilities covered by the insurance include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of the Company or its controlled entities. Disclosure of premiums paid is prohibited under the insurance contract.

Proceedings on behalf of the company

No person has applied to the Court, under section 237 of the Corporations Act 2001, for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The Group may decide to employ the auditor on assignments in addition to its statutory audit duties, where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to PricewaterhouseCoopers, the auditor of the consolidated entity, for audit and non-audit services provided during the year are set out in note 27.

The Board has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 as none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants.

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 Ewen Crouch AM
Chairman

Mr Jamie Pherous
Managing Director

Brisbane, 21 August, 2019

Auditor's Independence Declaration

As lead auditor for the audit of Corporate Travel Management Limited for the year ended 30 June 2019, 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 audit; and

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

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

Michael Crowe
Partner
PricewaterhouseCoopers

Brisbane
21 August 2019

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

Corporate Governance Statement

The Board and management of Corporate Travel Management Limited are committed to achieving and demonstrating the highest standards of corporate governance. Corporate Travel Management Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2019 corporate governance statement is dated as at 30 June 2019 and reflects the corporate governance practices in place throughout the 2019 financial year. The 2019 corporate governance statement was approved by the Board on 21 August 2019. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at investor.travelctm.com.au/corporate-governance/.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue	2	446,739	371,030
Other income		2,744	1,206
Total revenue and other income		**449,483**	**372,236**
Operating expenses			
Employee benefits		(225,394)	(186,214)
Occupancy		(18,557)	(12,429)
Depreciation and amortisation	6	(20,348)	(17,833)
Information technology and telecommunications		(38,790)	(31,281)
Travel and entertainment		(5,542)	(4,554)
Administrative and general		(17,148)	(13,029)
Total operating expenses		**(325,779)**	**(265,340)**
Finance costs	6	(2,765)	(3,226)
Profit before income tax		**120,939**	**103,670**
Income tax expense	5	(31,466)	(23,088)
Profit for the year		**89,473**	**80,582**
Profit attributable to:			
Owners of Corporate Travel Management Limited		86,235	76,712
Non-controlling interests	23(b)	3,238	3,870
		89,473	**80,582**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		19,339	16,266
Changes in the fair value of cash flow hedges		(447)	87
Other comprehensive income for the period, net of tax		**18,892**	**16,353**
Total comprehensive income for the year		**108,365**	**96,935**
Total comprehensive income for the year attributable to:			
Owners of Corporate Travel Management Limited		104,424	92,359
Non-controlling interests		3,941	4,576
		108,365	**96,935**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company			
- Basic (cents per share)	3	79.6	72.4
- Diluted (cents per share)	3	79.3	71.4

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	138,791	84,297
Trade and other receivables	10	328,771	252,237
Other assets	19	10,576	4,203
Total current assets		**478,138**	**340,737**
Non-current assets			
Plant and equipment	20	13,328	6,118
Intangible assets	8	506,690	451,597
Deferred tax assets	5	5,693	6,389
Total non-current assets		**525,711**	**464,104**
TOTAL ASSETS		**1,003,849**	**804,841**
LIABILITIES			
Current liabilities			
Trade and other payables	11	316,753	253,621
Borrowings	12	19,205	14,677
Income tax payable		5,971	7,310
Provisions	13	25,905	15,786
Total current liabilities		**367,834**	**291,394**
Non-current liabilities			
Trade and other payables	11	4,158	2,872
Borrowings	12	20,085	29,301
Provisions	13	4,488	1,833
Deferred tax liabilities	5	14,802	7,949
Total non-current liabilities		**43,533**	**41,955**
TOTAL LIABILITIES		**411,367**	**333,349**
NET ASSETS		**592,482**	**471,492**
EQUITY			
Contributed equity	14(a)	364,368	301,747
Reserves	14(b)	27,001	19,369
Retained earnings	14(c)	177,190	133,218
Capital and reserves attributed to owners of the company		**568,559**	**454,334**
Non-controlling interests – equity	23(b)	23,923	17,158
TOTAL EQUITY		**592,482**	**471,492**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Contributed Equity $'000	Retained Earnings $'000	Other Reserves $'000	Total $'000	Non-Controlling Interests $'000	Total Equity $'000
Balance at 30 June 2017		**281,847**	**91,470**	**12,999**	**386,316**	**15,088**	**401,404**
Profit for the year		-	76,712	-	76,712	3,870	80,582
Other comprehensive income (net of tax)		-	-	15,647	15,647	707	16,354
Total comprehensive income for the year		**-**	**76,712**	**15,647**	**92,359**	**4,577**	**96,936**
Transactions with owners in their capacity as owners:							
Shares issued (net of transaction costs)	14(a)	19,900	-	-	19,900	-	19,900
Dividends paid	4	-	(34,964)	-	(34,964)	(2,507)	(37,471)
Share-based payments		-	-	(9,277)	(9,277)	-	(9,277)
		19,900	**(34,964)**	**(9,277)**	**(24,341)**	**(2,507)**	**(26,848)**
Balance at 30 June 2018		**301,747**	**133,218**	**19,369**	**454,334**	**17,158**	**471,492**
Profit for the year		-	86,235	-	86,235	3,238	89,473
Other comprehensive income (net of tax)		-	-	18,189	18,189	703	18,892
Total comprehensive income for the year		**-**	**86,235**	**18,189**	**104,424**	**3,941**	**108,365**
Transactions with owners in their capacity as owners:							
Shares issued (net of transaction costs)	14(a)	62,621	-	-	62,621	-	62,621
Dividends paid	4	-	(42,263)	-	(42,263)	(3,008)	(45,271)
Share-based payments		-	-	(10,557)	(10,557)	-	(10,557)
Non-controlling interests acquisition of subsidiary		-	-	-	-	5,560	5,560
Non-controlling interests disposal of subsidiary		-	-	-	-	272	272
		62,621	**(42,263)**	**(10,557)**	**9,801**	**2,824**	**12,625**
Balance at 30 June 2019		**364,368**	**177,190**	**27,001**	**568,559**	**23,923**	**592,482**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of consumption tax)		455,131	337,468
Payments to suppliers and employees (inclusive of consumption tax)		(292,252)	(217,621)
Transaction costs relating to acquisition		(634)	(151)
Interest received		292	131
Finance costs		(2,582)	(2,584)
Income tax paid		(26,478)	(22,851)
Net cash flows from operating activities	9	**133,477**	**94,392**
Cash flows from investing activities			
Payment for plant and equipment	20	(8,138)	(2,676)
Payment for intangibles	8	(18,770)	(11,057)
Proceeds from sale of plant and equipment		13	16
Purchase of controlled entities, deferred consideration	7	(15,835)	(33,476)
Payments relating to purchase of controlled entities, net of cash acquired	7	(30,777)	(3,683)
Proceeds from sale of controlled entities		1,546	-
Net cash flows from investing activities		**(71,961)**	**(50,876)**
Cash flows from financing activities			
Proceeds from issue of new shares	14	40,016	-
Share issue transaction costs	14	(796)	(38)
Proceeds from borrowings		198,537	114,917
Repayments of borrowings		(206,963)	(117,995)
Release of secured deposits		4,991	-
Dividends paid to company's shareholders	4	(42,263)	(34,964)
Dividends paid to non-controlling interests in subsidiaries		(3,008)	(2,507)
Net cash flows from financing activities		**(9,486)**	**(40,587)**
Net increase/(decrease) in cash and cash equivalents		52,030	2,929
Effects of exchange rate changes on cash and cash equivalents		2,464	2,151
Cash and cash equivalents at beginning of year		84,297	79,217
Cash and cash equivalents at end of year		**138,791**	**84,297**

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 year ended 30 June 2019. 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 structure and how changes have affected the financial position and performance of the Group.

A core part of the Group's operations is to maintain a strong financial position and low levels of external debt. This section explains how the Group has performed in areas relating to capital management.

This section discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance, and what the Group does to manage these risks.

This section provides information about items that are not recognised in the financial statements, but could potentially have a significant impact on the Group's financial position and performance.

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.

Basis of preparation

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Corporate Travel Management Limited and its controlled entities (“CTM” or “the Group”).

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

(b) Foreign currency translation

(i) Functional and presentation currency
Items included in each of the Group entities’ financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Australian dollars, which is the Group’s functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss in the Consolidated Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss in the Consolidated Statement of Comprehensive Income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

(iii) Foreign operations
The results and financial position of all the foreign operations that have functional currencies different to the presentation currencies are translated into the presentation currency as follows:

- Assets and liabilities for each Consolidated Statement of Financial Position item presented are translated at the closing rate at the date of that statement;
- Income and expenses for each profit and loss item in the Consolidated Statement of Comprehensive Income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of any net investment in foreign operations and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is recognised in the profit and loss in the Consolidated Statement of Comprehensive Income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as the foreign operations’ assets and liabilities and translated at the closing rate.

Critical estimates, assumptions and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are considered to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management is required to exercise judgement. Those judgements involving estimations that may have an effect on the amounts recognised in the financial statements.

The Group makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in this report, as follows:

- Value of intangible assets relating to acquisitions:
    - Refer note 7 – Business combinations.

- Software developed or acquired not as part of a business combination:
    - Refer note 8 – Intangible assets.

- Impairment of goodwill:
    - Refer note 15 – Impairment testing of goodwill.

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This section explains the results and performance of the Group for the year ended 30 June 2019. 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 the 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 underlying EBITDA. This measurement basis excludes the effects of the costs of acquisitions, acquisition related adjustments, and other non-recurring items during the year.

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2019 is as follows:

	Travel services	Travel services	Travel services	Travel services		
June 2019	**Australia and New Zealand $'000**	**North America $'000**	**Asia $'000**	**Europe $'000**	**Other* $'000**	**Total $'000**
Total revenue from external parties	**121,761**	**149,284**	**80,372**	**95,322**	**-**	**446,739**
Underlying EBITDA	**51,530**	**43,424**	**24,748**	**40,845**	**(10,457)**	**150,090**
Total segment assets	**142,367**	**285,996**	**295,202**	**267,386**	**12,898**	**1,003,849**
Total assets include:						
Non-current assets						
Plant and equipment	2,803	2,016	7,096	1,413	-	13,328
Intangibles	66,958	218,204	67,898	150,154	3,476	506,690
Total segment liabilities	**59,859**	**42,300**	**167,485**	**96,983**	**44,740**	**411,367**

* The other segment represents the cost of the Group's 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)

June 2018	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	**108,519**	**127,003**	**53,816**	**81,692**	**-**	**371,030**
Underlying EBITDA	**44,038**	**37,888**	**19,541**	**34,232**	**(10,249)**	**125,450**
Total segment assets	**117,863**	**262,535**	**160,757**	**250,755**	**12,931**	**804,841**
Total assets include:						
Non-current assets						
Plant and equipment	2,581	1,522	646	1,369	-	6,118
Intangibles	57,799	201,760	38,450	149,851	3,737	451,597
Total segment liabilities	**49,292**	**34,334**	**88,371**	**84,708**	**76,644**	**333,349**

* The other segment represents the cost of the Group's support service, created to support the operating segments and growth of the global business.

Other segment information

(i) Underlying EBITDA

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

	2019 $'000	2018 $'000
Underlying EBITDA	150,090	125,450
Interest revenue	292	131
Finance costs	(2,765)	(3,226)
Depreciation	(3,342)	(2,045)
Amortisation	(17,006)	(15,788)
One off items:		
Activist response costs	(1,242)	-
Hong Kong office restructure costs	(4,152)	-
Acquisition and other non-recurring items	(936)	(852)
Net profit before income tax from continuing operations	**120,939**	**103,670**

Accounting policy

AASB 8 Operating Segments requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Makers. The CODM has been identified as a group of executives, which is the committee that makes strategic decisions.

Goodwill is allocated by management to groups of cash-generating units on a segment level.

2. Revenue

(a) Disaggregation of revenue from contracts with customers

June 2019	Travel services Australia and New Zealand $'000	Travel services North America $'000	Travel services Asia $'000	Travel services Europe $'000	Total $'000
Transactional revenue	98,426	130,745	50,088	85,264	364,523
Volume based incentive revenue	23,042	16,207	30,197	8,421	77,867
Other revenue	293	2,332	87	1,637	4,349
Total revenue from external parties	**121,761**	**149,284**	**80,372**	**95,322**	**446,739**

June 2018	Travel services Australia and New Zealand $'000	Travel services North America $'000	Travel services Asia $'000	Travel services Europe $'000	Total $'000
Transactional revenue	88,055	113,447	36,565	73,425	311,492
Volume based incentive revenue	20,093	12,816	17,184	6,784	56,877
Other revenue	371	740	67	1,483	2,661
Total revenue from external parties	**108,519**	**127,003**	**53,816**	**81,692**	**371,030**

(b) Assets related to contracts with customers

The Group has contract assets related to contracts with customers:

	2019 $'000	2018 $'000
Contract assets	31,035	23,810

Contract assets represent only current balances for amounts outstanding from suppliers for volume based incentive revenue.

(i) Significant changes in contract assets

The acquisition of Lotus Travel Limited on 2 October 2018 has contributed an additional $2.3 million to the closing contract asset balance. Other significant changes which have contributed to the movement in the contract asset balance relates to the overall growth of the business, which has impacted on the volume based incentive revenue. The period end contract asset balance reflect the payment cycle for each individual supplier.

Accounting policy

Transactional revenue
Transactional revenue is revenue derived from clients and suppliers generated from the provision of travel services to clients. The performance obligation is the facilitation of travel related services on behalf of clients. Transactional revenue is the fixed amount per client transaction and is recognised at either the ticketed date of the travel booking or on the date of travel, depending on the terms of the contract.

Transactional revenue also includes Pay Direct Commission, which is recognised when the performance obligation has been satisfied and the amount of the commission is highly probable, which is either upon receipt from the supplier or when it is confirmed commissionable by the supplier.

2. Revenue (continued)

Accounting policy (continued)

Volume based incentive revenue
Volume based incentive revenue is revenue derived from contracts with suppliers. The revenue is variable and is dependent upon the achievement of contractual performance criteria specific to each supplier. Revenue is recognised over time and is measured as the amount that is deemed highly probable to be received, which has been determined using the most likely amount method and the Group's experience with the contracts.

Other revenue
Other revenue is recognised when the transfer of the promised goods or service to the customer has been completed. Other revenue includes third party licensing and development fees, interest revenue, rental income, and other minor operating revenue.

3. Earnings per share

The following information reflects the income and share data used in the basic and diluted earnings per share computations:

	2019 $'000	2018 $'000
Net profit attributable to ordinary equity holders of Corporate Travel Management Limited	86,235	76,712

	2019 Shares	2018 Shares
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share	108,278,527	105,941,226
Adjustments for calculation of diluted earnings per share:		
Share appreciation rights (i)	416,657	1,247,408
Deferred shares on acquisitions (ii)	-	249,644
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**108,695,184**	**107,438,278**

(i) Share appreciation rights
Share Appreciation Rights (SARs) are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share as if the required hurdles would have been met based on the Group's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 22.

(ii) Deferred shares
Deferred shares on acquisitions relates to shares offered as part of the contingent consideration component of a business combination. They have been included in the determination of diluted earnings per share as if the required hurdles would have been met based on the Group's performance up to the reporting date, and to the extent to which they are dilutive. The deferred shares have not been included in the determination of basic earnings per share.

Accounting policy

Basic earnings per share is calculated as net profit attributable to owners of the Group, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number or ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element, and adjusted for:
- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the conversion into potential ordinary shares.

4. Dividends paid and proposed

Ordinary shares	2019 $'000	2018 $'000
Final ordinary dividend for the year ended 30 June 2018 of 21.0 cents per fully paid share paid on 4 October 2018	22,734	19,048
Interim ordinary dividend for the year ended 30 June 2019 of 18.0 cents per fully paid share paid on 12 April 2019	19,529	15,916
Total dividends paid	**42,263**	**34,964**
Approved by the Board of Directors on 21 August 2019 (not recognised as a liability as at 30 June 2019)		
Final ordinary dividend for the year ended 30 June 2019 of 22.0 cents (2018: 21.0 cents) per fully paid share	**23,868^**	**22,698^**

^ This dividend does not include shares issued post balance sheet date as part of the vesting of share appreciation rights.

The final dividend recommended after 30 June 2019 will be 50% franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2020.

Franking credit balance	2019 $'000	2018 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018: 30%)	3,848	4,993

These amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities of or receivables for income tax and dividends after the end of the year.

Accounting policy

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance dates. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

5. Income tax expense

Income tax expense	**2019 $'000**	**2018 $'000**
Current income tax		
Current tax on profits for the year	29,693	25,420
Adjustments for current tax of prior periods	(398)	(1,012)
Deferred income tax		
(Increase) decrease in deferred tax assets	(2,514)	601
Increase (decrease) in deferred tax liabilities	4,685	(1,921)
Income tax expense	**31,466**	**23,088**
Numerical reconciliation of income tax expense to prima facie tax payable		
Accounting profit before income tax	120,939	103,670
Tax at the Australian tax rate of 30% (2018: 30%)	36,282	31,101
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Non-deductible amounts	776	823
Other amounts	(813)	(36)
	(37)	**787**
Recognition of temporary differences previously not brought to account	1,676	(58)
Difference in overseas tax rates	(6,006)	(5,150)
Changes in tax rates	-	(2,520)
Adjustments for current tax of prior periods	(398)	(1,012)
Research and development tax credit	(36)	(55)
Unrecognised tax losses	(15)	(5)
	(4,779)	**(8,800)**
Income tax expense	**31,466**	**23,088**

Deferred income tax	**2019 $'000**	**2018 $'000**
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Provisions	5,774	4,815
Employee benefits	3,641	6,638
Other	1,210	30
	10,625	**11,483**
Set off against deferred tax liabilities	(4,932)	(5,094)
Net deferred tax assets	**5,693**	**6,389**
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Depreciation/amortisation	15,000	8,708
Accrued income	2,493	2,383
Other	2,241	1,952
	19,734	**13,043**
Set off against deferred tax assets	(4,932)	(5,094)
Net deferred tax liabilities	**14,802**	**7,949**

5. Income tax expense (continued)

Deferred tax assets	At 1 July $'000	Transfer from income tax receivable $'000	(Charged)/ credited in year via P&L $'000	(Charged)/ credited in year via equity $'000	Acquisition of subsidiaries $'000	Change in FX rates $'000	At 30 June $'000
2019							
Provisions	4,815	-	703	(60)	179	137	5,774
Employee benefits	6,638	-	636	(3,633)	-	-	3,641
Other	30	-	1,175	-	-	5	1,210
	11,483	**-**	**2,514**	**(3,693)**	**179**	**142**	**10,625**
2018							
Provisions	6,087	-	(925)	(398)	-	51	4,815
Employee benefits	6,779	-	324	(465)	-	-	6,638
Other	30	-	-	-	-	-	30
	12,896	**-**	**(601)**	**(863)**	**-**	**51**	**11,483**

Deferred tax liabilities	At 1 July $'000	Transfer from income tax receivable $'000	(Charged)/ credited in year via P&L $'000	(Charged)/ credited in year via equity $'000	Acquisition of subsidiaries $'000	Change in FX rates $'000	At 30 June $'000
2019							
Depreciation/ amortisation	8,708	-	4,907	-	970	415	15,000
Accrued income	2,383	-	19	-	-	91	2,493
Other	1,952	-	(241)	530	-	-	2,241
	13,043	**-**	**4,685**	**530**	**970**	**506**	**19,734**
2018							
Depreciation/ amortisation	10,409	-	(2,020)	-	-	319	8,708
Accrued income	2,581	-	(206)	-	-	8	2,383
Other	932	154	305	561	-	-	1,952
	13,922	**154**	**(1,921)**	**561**	**-**	**327**	**13,043**

Accounting policy

Tax consolidation

Corporate Travel Management Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2008. Corporate Travel Management Limited is the head entity of the tax consolidated group. Members of the Group have entered into a tax sharing agreement in order to enable Corporate Travel Management Limited to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities amongst the entities should the head entity default on its tax payment obligations.

5. Income tax expense (continued)

Accounting policy (continued)

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Allocations under the tax funding agreement are made at the end of each quarter.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Corporate Travel Management Limited.

The income tax expense (or revenue) for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted, or substantially enacted, by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position. Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

6. Expenses

Profit before income tax includes the following specific expenses:	2019 $'000	2018 $'000
Depreciation and amortisation		
Depreciation of non-current assets – plant and equipment note 20	3,342	2,045
Amortisation of client contracts and relationships – intangibles note 8	7,165	10,186
Amortisation of software – intangibles note 8	9,378	5,174
Amortisation of other intangible assets – intangibles note 8	463	428
Total depreciation and amortisation expense	**20,348**	**17,833**
Finance costs		
Bank loans	2,538	2,425
Other interest	227	801
Total finance costs	**2,765**	**3,226**
Other expense disclosures		
Defined contribution superannuation expense	7,242	6,303
Rental expense relating to operating leases	13,648	8,828

Accounting policy

Depreciation expense

Depreciation is calculated over plant and equipment using the following estimated useful lives and methods:

Item	Years	Method
Plant and equipment:		
Leasehold improvements	3 – 8	Straight line
Computer hardware	2.5 – 3	Straight line
Furniture, fixture and equipment	4 – 10	Diminishing value or straight line

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted, if appropriate, at each financial year end.

Amortisation expense

The useful lives of these intangible assets are assessed to be finite.

A summary of the amortisation policies applied to the Group's intangible assets is as follows:

Item	Years	Method	Internally generated/acquired
Intangible assets:			
Client contracts and relationships	3 – 5	Straight line	Acquired
Software	3 – 5	Straight line	Acquired/Internally generated
Other intangible assets	10	Straight line	Acquired

Where amortisation is charged on assets with finite lives, this expense is taken to the profit and loss in the Consolidated Statement of Comprehensive Income in the expense category 'depreciation and amortisation'.

Finance costs

This expense is recognised as interest accrues, using the effective interest method. This method calculates the amortised cost of a financial liability and allocates the interest expense over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the financial liability.

This section explains significant aspects of the Group structure and how changes have affected the financial position and performance of the Group.

7. Business combinations

Fair value acquisition consideration and reconciliation to cash flow	Lotus $'000	Platinum $'000	Total $'000
Initial consideration - cash paid	39,928	3,000	42,928
Initial consideration - equity issued	-	2,298	2,298
Working capital adjustment	-	44	44
Acquisition date fair value contingent consideration - earn-out	-	3,232	3,232
Total acquisition date fair value consideration	**39,928**	**8,574**	**48,502**
Cash paid	39,928	3,044	42,972
less: cash balances acquired	(10,602)	(1,593)	(12,195)
Total outflow of cash - investing activities	**29,326**	**1,451**	**30,777**

The provisional fair values of the assets and liabilities of Lotus and the final fair values of the assets and liabilities of Platinum, at date of acquisition were as follows:

	Lotus $'000	Platinum $'000	Total $'000
Cash and cash equivalents	10,602	1,593	12,195
Trade and other receivables	61,493	255	61,748
Other assets	10,937	-	10,937
Plant and equipment	1,255	36	1,291
Intangible assets: client contracts and relationships	4,767	614	5,381
Deferred tax asset	155	24	179
Trade and other payables	(56,521)	(1,524)	(58,045)
Borrowings	(2,963)	-	(2,963)
Income tax payable	187	(21)	166
Provisions	(6,798)	(82)	(6,880)
Deferred tax liability	(786)	(184)	(970)
Net identifiable assets acquired*	**22,328**	**711**	**23,039**
Less: non-controlling interest	(5,560)	-	(5,560)
Goodwill on acquisition	23,160	7,863	31,023
Net assets acquired	**39,928**	**8,574**	**48,502**

* There have been some reclassifications and measurement period adjustments within the opening balance sheet to align with Group policy, this had an impact of approximately $508,000 on the net identifiable assets acquired.

Lotus Travel Group Limited

On 2 October 2018, the Group acquired 75.1% of the shares of Lotus Travel Group Limited ("Lotus"), an Asian based travel management company. The initial cost of the acquisition was $39,928,000 (HK$225,300,000), paid in cash. Additional earn-out consideration, contingent on achieving an FY2019 net profit after tax threshold, was not expected to be met at the date of acquisition, and has not been included within the acquisition date fair value consideration.

The full value of the goodwill and client intangibles is not expected to be tax deductible for tax purposes.

Acquisition-related costs of $425,300 are included in administrative and general expenses in the Statement of Comprehensive Income.

The trade and other receivables approximate the gross contractual amount receivable, of which no balances are expected to be uncollectable.

The acquired business contributed revenues of $23,263,000 and net profit after tax of $2,057,000 to the Group for the period 2 October 2018 to 30 June 2019. If the acquisition had occurred on 1 July 2018, consolidated revenue and net profit after tax for the Group for the year ended 30 June 2019 would have been $455,237,000 and $90,564,000 respectively.

7. Business combinations (continued)

SCT Travel Group Pty Ltd trading as Platinum Travel Corporation

On 1 July 2018, the Group acquired 100% of the shares of SCT Travel Group Pty Ltd, trading as Platinum Travel Corporation ("Platinum"), a travel management company headquartered in New South Wales, Australia. The initial cost of the acquisition was $5,298,000, paid in both cash $3,000,000 and shares $2,298,000, with further contingent consideration payable of $3,232,000.

The full value of the goodwill and client intangibles is not expected to be tax deductible for tax purposes.

The acquired business contributed revenues of $2,042,000 and net profit after tax of $883,000 to the Group for the period 1 July 2018 to 30 June 2019.

The trade and other receivables approximate the gross contractual amount receivable of which no balances are expected to be uncollectable.

Prior period business combinations

During the year ended 30 June 2019, the final deferred consideration of $8.8 million was paid for the Redfern business combination. The final deferred consideration of $13.5 million in relation to the Chambers business combination was also settled. Refer note 24 – related party transactions.

Summary of consideration paid for acquisitions made in prior periods	Redfern $'000	Chambers $'000	Total $'000
Cash paid	8,792	7,043	15,835
Equity issued	-	6,456	6,456
Total consideration paid for acquisitions made in prior periods	**8,792**	**13,499**	**22,291**

Accounting policy

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred is measured as the fair value of the assets acquired, shares issued or liabilities incurred or assumed at the date of exchange, and, for acquisitions prior to 1 July 2009, included costs directly attributable to the combination. For acquisitions after 1 July 2009, acquisition-related costs are expensed in the period in which the costs are incurred, rather than being added to the cost of the business combination, as required by revised AASB 3 Business Combinations.

Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

With limited exceptions, all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the consideration transferred of the acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the profit and loss in the Consolidated Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value, as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in other income or other expenses, and interest expense resulting from discounting is recognised within finance costs in the Statement of Comprehensive Income. Any subsequent adjustment to the final contingent consideration, based on actual results as at 30 June 2019, will be reflected in the Statement of Comprehensive Income.

7. Business combinations (continued)

Accounting policy (continued)

The Group recognises any non-controlling interest, in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity.

Critical estimates, assumptions and judgements

- *Value of intangible assets relating to acquisitions*
  The Group has allocated portions of the cost of acquisitions to client contracts and relationships intangibles, valued using the multi-period excess earnings method. These calculations require the use of assumptions including future customer retention rates and cash flows.

8. Intangible assets

	Client contracts and relationships $'000	Software $'000	Goodwill $'000	Other Intangible assets $'000	Total $'000
Year ended 30 June 2019					
Cost	62,924	52,684	453,522	4,924	574,054
Accumulated depreciation	(43,668)	(22,370)	-	(1,326)	(67,364)
	19,256	**30,314**	**453,522**	**3,598**	**506,690**
Opening net book amount at 1 July 2018	20,140	20,399	407,187	3,871	451,597
Additions	-	18,770	-	-	18,770
Additions through the acquisition of entities/businesses (note 7)	5,381	-	31,023	-	36,404
Amortisation charge	(7,165)	(9,378)	-	(463)	(17,006)
Exchange differences	900	523	15,312	190	16,925
Closing net book amount	**19,256**	**30,314**	**453,522**	**3,598**	**506,690**
Year ended 30 June 2018					
Cost	55,167	33,151	407,187	4,687	500,192
Accumulated depreciation	(35,027)	(12,752)	-	(816)	(48,595)
	20,140	**20,399**	**407,187**	**3,871**	**451,597**
Opening net book amount	29,411	14,217	392,013	4,156	439,797
Additions	-	11,057	-	-	11,057
Amortisation charge	(10,186)	(5,174)	-	(428)	(15,788)
Exchange differences	915	299	15,174	143	16,531
Closing net book amount	**20,140**	**20,399**	**407,187**	**3,871**	**451,597**

Customer contracts

The customer contracts were acquired as part of a business combination (refer note 7 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised based on the timing of projected cash flows of the contracts over their estimated useful lives.

Acquired from a business combination

Intangible assets from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

8. Intangible assets (continued)

Accounting policy

Software developed or acquired not as part of a business combination

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised as software and systems assets.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss in the Consolidated Statement of Comprehensive Income when the asset is derecognised.

Goodwill

Goodwill acquired on a business combination is initially measured at cost, being the excess of the consideration transferred for the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (refer note 15).

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that are expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Statement of Comprehensive Income.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Disposed goodwill in this circumstance is measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained.

Critical estimates, assumptions and judgements

- *Software developed or acquired not as part of a business combination*
  The Group recognises internally generated software assets arising from development once they meet the criteria set out in the Australian Accounting Standards. Estimates are used in determining the useful life for amortisation. There is also judgement involved in assessing how the asset will deliver probable future economic benefit to the Group.

Notes to the Consolidated Financial Statements: Capital

A core part of the Group's operations is to maintain a strong financial position and low levels of external debt. This section explains how the Group has performed in areas relating to capital management.

9. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and on hand	96,571	57,019
Client cash	42,220	27,278
Total cash and cash equivalents	**138,791**	**84,297**

Cash at bank earns interest at floating rates based on daily bank deposit rates: 2019: 0.00%-2.37% (2018: 0.00%-1.95%). The client accounts earn interest at floating rates based on daily bank deposit rates: 2019: 0.00%-1.60% (2018: 0.00%-1.30%). The weighted average interest rate for the year was 0.13% (2018: 0.12%).

Accounting policy

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and on hand and short-term deposits, with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Client cash represents amounts from clients held before release to service and product suppliers, with a maturity of three months or less.

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined, net of outstanding bank overdrafts.

Reconciliation of profit after income tax to net cash inflow from operating activities	2019 $'000	2018 $'000
Profit for the year	89,473	80,582
Adjustments for:		
Depreciation and amortisation	20,348	17,833
Net exchange differences	406	(92)
Non-cash interest	122	678
Non-cash employee benefits expense - share-based payments	3,690	2,168
Non-cash release of acquisition payable	-	(330)
Net (gain) on sale of subsidiary	(423)	-
Fair value adjustment of acquisition payable	(602)	(420)
Net gain/(loss) on disposal of non-current assets	169	(5)
Changes in operating assets and liabilities		
(Increase) in trade and other receivables	(7,464)	(41,341)
(Increase)/decrease in prepayments	(546)	669
Increase/(decrease) in deferred tax balances	2,190	(999)
Increase in income tax payable	2,797	1,730
Increase in payables and provisions	23,317	33,919
Net cash flow from operating activities	**133,477**	**94,392**

9. Cash and cash equivalents (continued)

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2019 $'000	2018 $'000
Cash and cash equivalents	138,791	84,297
Borrowings (repayable within 1 year)	(19,205)	(14,677)
Borrowings (repayable after 1 year)	(20,085)	(29,301)
Net debt	**99,501**	**40,319**
Cash and cash equivalents	138,791	84,297
Gross debt - variable interest rates	(39,290)	(43,978)
Net debt	**99,501**	**40,319**

	Cash $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt at 1 July 2018	84,297	(14,677)	(29,301)	40,319
Cash flows	52,030	(1,270)	9,570	60,330
Acquisition	-	(2,963)	-	(2,963)
Foreign exchange adjustments	2,464	(295)	(354)	1,815
Net debt at 30 June 2019	**138,791**	**(19,205)**	**(20,085)**	**99,501**
Net debt at 1 July 2017	79,217	(18,122)	(27,301)	33,794
Cash flows	2,929	4,186	(1,518)	5,597
Foreign exchange adjustments	2,151	(741)	(482)	928
Net debt at 30 June 2018	**84,297**	**(14,677)**	**(29,301)**	**40,319**

10. Trade and other receivables

	2019 $'000	Restated 2018 $'000
Current		
Trade receivables (i)	25,882	19,339
Client receivables (i)	253,942	199,715
Contract assets (ii)	31,035	23,810
	310,859	**242,864**
Deposits (iii)	16,574	7,587
Other receivables	1,338	1,786
Total trade and other receivables	**328,771**	**252,237**

The increase in trade and other receivables is predominantly due to the acquisition of Lotus Travel.

(i) Trade and client receivables are non-interest bearing and are generally on terms ranging from 7 to 30 days. This balance includes amounts receivable from a related party – refer note disclosure 24(e).
(ii) Balances were reclassified to contract assets as a result of the adoption of AASB 15. An amount of $31.0 million (2018: $23.8 million) was reclassified from trade receivables to contract assets.
(iii) Deposits balance relates to advance deposits to suppliers and deposits made on behalf of clients for travel which will occur at a future date. Advance deposits to suppliers relate to securing access during high sales periods, which is the normal business practise in Hong Kong.

Accounting policy from 1 July 2018

Trade and client receivables are recognised initially at fair value and, subsequently, measured at amortised cost using the effective interest method, less a provision for impairment in accordance with the simplified approach permitted by AASB 9.

10. Trade and other receivables (continued)

Accounting policy from 1 July 2018 (continued)

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade and client receivables and contract assets.

To measure the expected credit losses, trade and client receivables, contract assets and deposits have been grouped based on their shared characteristics and the days past due.

Contract assets represent balances earned, but which are not yet unconditional and have the substantially the same characteristics as trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation for the contract asset balances.

The expected credit loss rates are based on the historical payment profile of receivables prior to 30 June 2019 and 1 July 2018 and the corresponding historical credit losses experienced during this period. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the clients to settle the receivables.

Accounting policy applied until 30 June 2018

Trade and client receivables, which generally have 7 to 30 day terms, are recognised initially at fair value and, subsequently, measured at amortised cost using the effective interest method, less an allowance for impairment.

Client receivables result from the provision of travel services to clients. Trade receivables result from other activities relating to the provision of travel services, such as commissions payable by suppliers.

Collectability of trade and client receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the profit and loss in the Consolidated Statement of Comprehensive Income within administration expenses. When a trade receivable, for which an impairment allowance had been recognised, becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administration expenses in the profit and loss in the Consolidated Statement of Comprehensive Income.

11. Trade and other payables

	2019 $'000	2018 $'000
Current		
Trade payables (i)	13,373	12,536
Client payables (i)	267,424	185,122
Other payables and accruals	35,256	33,458
Acquisition payable (ii)	700	22,505
Total current trade and other payables	**316,753**	**253,621**
Non-current		
Other payables and accruals	1,573	2,872
Contingent consideration payable (iii)	2,585	-
Total non-current trade and other payables	**4,158**	**2,872**

(i) Trade payables and client payables are non-interest bearing and are normally settled on terms ranging from 7 to 30 days. The increase in trade and client payables is predominantly due to the acquisition of Lotus Travel and timing of supplier payments.
(ii) The reduction in acquisition payable reflects the payments made during the year relating to the Redfern Travel and Chambers Travel business combinations. Current balance represents the payable upon meeting the performance hurdle for Platinum Travel acquisition for the year ended 30 June 2019.
(iii) The contingent consideration payable relates to the Platinum Travel business combination which remains contingent on the achievement of specific performance hurdles.

11. Trade and other payables (continued)

Fair value
The carrying value of these payables approximates their fair value.

Interest rate risk and liquidity risk
Information regarding interest rate risk and liquidity risk exposure is set out in note 16.

Accounting policy

Trade and other payables and client payables are carried at original invoice amount and represent liabilities for goods and services provided to the Group to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and are paid within terms ranging from 7 to 30 days from recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Client payables result from provision of travel services and products to clients. Trade payables result from other activities required to provide those travel services, such as corporate services.

Acquisition and contingent consideration payable are recognised where settlement of any part of the business combination is deferred or contingent on meeting additional earnout thresholds. The amounts payable in the future are discounted to their present value, as at the date of exchange. The discount rate used is the entity's effective interest rate.

Contingent consideration subsequently remeasured to fair value, with changes in fair value recognised in other income or other expenses, and interest expense resulting from discounting is recognised within finance costs in the Statement of Comprehensive Income. Any subsequent adjustment to the final contingent consideration, based on actual results as at 30 June 2019, will be reflected in the Statement of Comprehensive Income.

12. Borrowings and contingent liabilities

Borrowings

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

	2019 $'000	2018 $'000
Current borrowings	19,205	14,677
Non-current borrowings	20,085	29,301
Total borrowings	**39,290**	**43,978**

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 (IATA) regulations. Guarantees provided by the parent are held on behalf of other Group entities.

Guarantees provided for:	2019 $'000	2018 $'000
Various vendors	123,021	83,586
Total guarantees	**123,021**	**83,586**

There were no other contingencies as at reporting date (2018: $nil).

Increase in guarantees following the Lotus acquisition in October 2018. Since 31 December 2018, the balance has reduced by $15.2 million. Subsequent to 30 June 2019, guarantees have decreased by a further $27.1 million and at the date of this report total guarantees are $95.9 million.

12. Borrowings and contingent liabilities (continued)

Financial facilities

The unused portion of the Group's total facilities at 30 June 2019 is set out in the following table:

Senior facilities	$'000
Unused	82,776
Used (i)	100,724
Total senior facilities	**183,500**

Permitted indebtedness	$'000
Unused	53,322
Used (ii)	96,678
Total permitted indebtedness	**150,000**

Financial facilities (continued)

Total facilities	$'000
Unused	136,098
Used (i)	197,402
Total facilities	**333,500**

(i) Included within the used portion of the total senior facilities are bank guarantees of $61.4 million.
(ii) Included within the used portion of the permitted indebtedness are bank guarantees of $51.2 million.

The Group's facilities at 30 June 2019 include overdraft, merchant facilities and bank guarantees. The senior debt facility is with HSBC Bank and Commonwealth Bank of Australia. This multi-currency facility includes senior debt facilities of $183.5 million.

Including the permitted indebtedness, the Group had $333.5 million of facility which is drawn to $197.4 million at 30 June 2019 (being bank borrowings of $39.3 million, bank guarantees of $112.7 million and credit card facilities of $45.4 million). Lotus guarantees of $10.3 million are excluded from the permitted indebtedness basket.

Security had been provided to the guarantor over the Groups assets and subsidiary shareholding through a security trustee on behalf of the senior lenders.

At 30 June 2019, Lotus Travel have secured deposits totalling $5.8 million in support of guarantees and merchant banking facilities – refer note 19. The Group continues to integrate the banking requirements with the long-term objective to reduce and eventually remove the need for this security. There has been a release of $5.0 million during the period as a result of this integration.

On 7 August 2019, the Group refinanced the senior debt facilities (refer note 18). The new facilities provide further headroom and broader banking relationships. The syndicated facility has three participants (HSBC Bank, Commonwealth Bank of Australia and Barclays Bank).

Accounting policy

All loans and borrowings are initially recognised at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs
Borrowing costs are recognised as an expense using the effective interest method. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised, including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing.

Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

13. Provisions

Movements in provisions	Employee entitlements $'000	Make-good provision $'000	Provisions for other liabilities and charges $'000	Total $'000
At 1 July 2018	5,935	655	11,029	17,619
Acquisition of subsidiary (note 7)	1,749	927	4,204	6,880
Arising during the year	8,935	1,138	90,412	100,485
Utilised	(7,454)	(320)	(84,788)	(92,562)
Write back of provision	(592)	-	(2,599)	(3,191)
Changes due to change in foreign currency	309	50	803	1,162
At 30 June 2019	**8,882**	**2,450**	**19,061**	**30,393**
At 1 July 2017	5,635	638	10,892	17,165
Arising during the year	6,882	93	38,534	45,509
Utilised	(6,541)	(87)	(36,020)	(42,648)
Write back of provision	(106)	(5)	(2,779)	(2,890)
Changes due to change in foreign currency	65	16	402	483
At 30 June 2018	**5,935**	**655**	**11,029**	**17,619**
2019				
Current	6,813	31	19,061	25,905
Non-current	2,069	2,419	-	4,488
	8,882	**2,450**	**19,061**	**30,393**
2018				
Current	4,720	37	11,029	15,786
Non-current	1,215	618	-	1,833
	5,935	**655**	**11,029**	**17,619**

Accounting policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss in the Consolidated Statement of Comprehensive Income, net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

Short term obligations
Liabilities for wages and salaries including non-monetary benefits, expected to be settled within 12 months of the reporting period, are recognised in other payables and accruals in respect of employees' services up to the reporting date. Liabilities for annual leave and accumulated sick leave, expected to be settled within 12 months of the reporting period, are recognised in the provision for employee benefits in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulated sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

13. Provisions (continued)

Accounting policy (continued)

Employee benefits (continued)

Other long term obligations
Liabilities for long service leave are recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date, using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds, with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Retirement benefit obligations
Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

Bonus plans
The Group recognises a provision for future bonus payments where it is contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Make-good provision

In accordance with the Group's contractual obligations under tenancy lease agreements, the Group is required to restore the leased premises on the expiry of the lease term.

Provision for other liabilities and charges

Provision for unclaimed charges
The Group recognises a provision for unclaimed charges, arising from the sale of travel services. This provision pertains to the Asian business, and is common practice in this market. Based on historical data and past experience, management considers the possibility of claims and, if appropriate, it is written back to the consolidated income statement.

Provision for fixed price contract
The Group recognises a provision where the estimated cost of fulfilling the obligations on a fixed price contract may exceed the future expected economic benefits, over its remaining term. This exposure is limited to one fixed price contract for a remaining term of another half year.

14. Contributed equity, reserves and retained earnings

(a) Contributed equity

Ordinary shares	2019 $'000	2018 $'000
Issued and fully paid	364,368	301,747
Contributed equity	**364,368**	**301,747**

Ordinary shares entitle the holder to receive dividends as declared and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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			(129)
	At 30 June 2018		**106,108,453**	**301,747**
	Opening balance as at 1 July 2018		**106,108,453**	**301,747**
2 July 2018	Shares issued	Initial consideration for the SCT Travel Group Pty Ltd business combination.	85,627	2,298
17 July 2018	Shares issued	Capital raising used primarily for the acquisition of Lotus Travel Group.	1,554,000	40,016
22 August 2018	Shares issued	Share appreciation rights issue.	509,961	14,585
22 October 2018	Shares issued	Deferred consideration payment for the Chambers Travel business combination.	233,908	6,456
	Total shares issued		**2,383,496**	**63,355**
	Less: transaction costs arising on share issue			(796)
	Deferred tax credit recognised directly in equity			62
	At 30 June 2019		**108,491,949**	**364,368**

Capital management
The Group maintains a conservative funding structure that allows it to meet its operational and regulatory requirements, while providing sufficient flexibility to fund future strategic opportunities.

The Group's capital structure includes a mix of debt (refer note 12), general cash (refer note 9) and equity attributable to the parent's equity holders.

When determining dividend returns to shareholders the Board considers a number of factors, including the Group's anticipated cash requirements to fund its growth, operational plan, and current and future economic conditions.

While dividend payments may vary from time to time, according to these anticipated needs, the Board's current dividend policy is to return between 50% to 60% of net profit after tax to shareholders.

	2019 $'000	2018 $'000
Total borrowings	39,290	43,978
Total equity	592,482	471,492
Gearing ratio	**7%**	**9%**

14. Contributed equity, reserves and retained earnings (continued)

(b) Reserves

The following table shows a breakdown of the 'reserves' line item as per the Consolidated Statement of Financial Position, and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided in the following table.

	FX translation $'000	Share based payment $'000	Total $'000
At 30 June 2017	**8,385**	**4,614**	**12,999**
Currency translation differences – current period	15,373	-	15,373
Deferred tax	274	-	274
Other comprehensive income	**15,647**	**-**	**15,647**
Share-based payments:			
Expense for the year	-	2,176	2,176
Issuance of shares on vesting	-	(13,754)	(13,754)
Effect of tax	-	2,301	2,301
At 30 June 2018	**24,032**	**(4,663)**	**19,369**
Currency translation differences – current period	18,307	-	18,307
Deferred tax	(118)	-	(118)
Other comprehensive income	**18,189**	**-**	**18,189**
Share-based payments:			
Expense for the year	-	3,690	3,690
Issuance of shares on vesting	-	(14,585)	(14,585)
Effect of tax	-	338	338
At 30 June 2019	**42,221**	**(15,220)**	**27,001**

Nature and purpose of other reserves

Foreign currency translation
Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is recognised in the Consolidated Statement of Comprehensive Income when the net investment is sold.

Share-based payments
The share-based payments reserve is used to recognise an expense for the grant date fair value of deferred shares granted to employees but not yet vested over the vesting period, as well as deferred tax associated with future tax deductions. Upon vesting of shares, the fair value of the shares issued is recognised in share capital (refer note 14 (a)) and a corresponding entry recognised in the share-based payment reserve.

(c) Retained earnings

Movements in retained earnings were as follows:	2019 $'000	2018 $'000
Balance at 1 July	**133,218**	**91,470**
Net profit for the year	86,235	76,712
Dividends	(42,263)	(34,964)
Balance at 30 June	**177,190**	**133,218**

Accounting policy
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Consolidated Financial Statements: Risk

This section discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance, and what the Group does to manage these risks.

15. Impairment testing of goodwill

For the purposes of impairment testing, the cash generating unit has been defined as the lowest level of travel services operations to which goodwill relates, where individual cash flows can be ascertained for the purposes of discounting future cash flows.

	2019 $'000	2018 $'000
The carrying amount of goodwill to the cash generating unit:		
Travel service - Australia and New Zealand	54,893	46,997
Travel service - North America	204,742	194,270
Travel service - Asia	52,987	27,497
Travel service - Europe	140,900	138,423
Total goodwill	**453,522**	**407,187**

The recoverable amount of the cash generating unit has been determined based on financial budgets set for the next financial year and management's cash flow projections for subsequent years.

	Travel services			
	Australia and New Zealand	North America	Asia	Europe
2019 Pre-tax nominal discount rate applied to the cash flow projection	13.72%	12.14%	11.38%	11.04%
Cash flows beyond the next financial year, up to year 5, are extrapolated using an average nominal growth rate of:				
Revenue	3.50%	3.50%	3.50%	3.50%
Operating expenses	3.00%	3.00%	3.00%	3.00%
Long term growth rate	2.00%	2.00%	2.00%	2.00%
2018 Pre-tax nominal discount rate applied to the cash flow projection	12.77%	11.55%	10.86%	10.71%
Cash flows beyond the next financial year, up to year 5, are extrapolated using a nominal growth rate of:				
Revenue	3.50%	3.50%	3.50%	3.50%
Operating expenses	3.00%	3.00%	3.00%	3.00%
Long term growth rate	2.00%	2.00%	2.00%	2.00%

Key assumptions used for value-in-use calculations for the years ended 30 June 2019 and 30 June 2018

The following key assumptions were applied to the cash flow projections when determining the value-in-use:

- *Pre-tax discount rates* - reflect specific risks relating to the relevant segments and the countries in which they operate.
- *Budgeted revenue* – the basis used to determine the amount assigned to the budgeted sales volume is the outcome achieved in the year immediately before the budgeted year, expected client retentions, adjusted for growth and other known circumstances.
- *Budgeted operating expenses* – the basis used to determine the amount assigned to the budgeted costs is the outcome achieved in the year immediately before the budgeted year, adjusted for growth and other known circumstances.
- *Long term growth rate* – the growth rate used to extrapolate cash flows beyond the budget period.

15. Impairment testing of goodwill (continued)

Sensitivity to changes in assumptions
Management recognises that there are various reasons the estimates used in these assumptions may vary. For cash generating units, there are possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. The changes required to each of the key assumptions to cause the carrying value of a unit to exceed its recoverable amount are shown as follows:

	Possible change considered	Change required to indicate an impairment
Growth rates – Travel services – Australia and New Zealand		
Revenue	Reduction in yield, rates, client retention	Decrease to (6.50%)
Operating expenses	Higher labour and/or other support costs	Increase to 14.21%
Growth rates – Travel services – North America		
Revenue	Reduction in yield, rates, client retention	Decrease to (0.1%)
Operating expenses	Higher labour and/or other support costs	Increase to 6.6%
Growth rates – Travel services – Asia		
Revenue	Reduction in yield, rates, client retention	Decrease to (4.58%)
Operating expenses	Higher labour and/or other support costs	Increase to 11.18%
Growth rates – Travel services – Europe		
Revenue	Reduction in yield, rates, client retention	Decrease to (6.07%)
Operating expenses	Higher labour and/or other support costs	Increase to 14.59%

Accounting policy

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

For the purposes of impairment testing, the cash generating unit has been defined as the lowest level of travel services operations to which goodwill relates, where individual cash flows can be ascertained for the purposes of discounting future cash flows.

The recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those cash flows from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Critical estimates, assumptions and judgements

- *Impairment of goodwill*
  The Group determines whether goodwill is impaired on an annual basis. This assessment requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated.

16. Financial risk management

The Group's principal financial instruments comprise deposits with banks, overdraft facilities and borrowings.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks, which are summarised in the note. The Group is not exposed directly to commodity trading risks.

(a) Interest rate risk

As at 30 June 2019, the Group had interest bearing borrowings of $39.3 million, therefore the Group's income and operating cash flows would be impacted by changes in market interest rates. Interest rate risk is managed by way of proactive action by management and advisors. At balance date, CTM has no interest rate cap, swap or options in place and has managed interest rate risk by fixing interest payable for short terms of 1 - 6 months on material borrowings. Under the terms of CTM's financing arrangements, interest payable is determined using an appropriate base for the currency borrowed.

Changes in USD LIBOR (London Interbank Offered Rate) for example could therefore affect CTM in the medium or long term and accordingly, various strategies to mitigate interest payable may be adopted should material volatility or rates increases be forecast. The Group has considered its exposure to interest rate movements and note that significant changes in interest rates would not result in a material impact to Finance costs.

The Group has interest bearing assets (cash and cash equivalents) with a short turnover period. The interest earned from these assets is not considered material to the Group.

(b) Credit risk

Credit risk arises from cash and cash equivalents, and balances owing from customers and suppliers including outstanding receivables.

With respect to credit risk arising from the other financial assets of the Group, comprising of cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group's cash (refer note 9), is held at financial institutions with the following credit ratings:

	2019 $'000	Moody's Investor Service Rating
Australia and New Zealand	19,312	Aa3 - A1
North America	23,178	Aa1 - A1
Asia	61,001	Aa1 - Baa3
Europe	35,300	Aa2 - Baa3
Total cash and cash equivalents	**138,791**	

The Group's policy is that all clients which wish to trade on credit terms are subject to credit verification procedures, and subsequent risk limits, which are set for each individual client in accordance with the Group's policies. For some client receivables, the Group may also obtain security in the form of deposits. In addition, receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is considered reasonable. Client and trade receivables are held with predominantly un-rated entities.

Receivables are subject to the expected credit loss model. The Group has applied the AASB 9 simplified approach to measuring the expected credit loss, which uses a lifetime expected loss allowance for all receivables and contract assets.

To measure the expected credit losses, receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets represent balances earned which are not yet unconditional and have the same characteristics as trade receivables. The Group has, therefore, concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

16. Financial risk management (continued)

(b) Credit risk (continued)

Receivables and contract assets are written off when there is no reasonable expectation of recovery. Impairment losses on receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables
In the prior year, the impairment of receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and hire purchase contracts. Refer note 12 – borrowings and contingent liabilities for discussion on the use of banking facilities in managing the Group's liquidity needs.

The Group manages liquidity risk by monitoring cash flows and estimating future operational draws on cash reserves. The following table reflects all contractually fixed repayments and interest resulting from recognised financial liabilities as at 30 June 2019.

The Group's financial liabilities comprise of trade and other payables, borrowings, and no derivative financial instruments are held. The respective undiscounted cash flows for the respective upcoming fiscal years are included in the following table. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2019.

The remaining non-derivative contractual maturities of the Group's financial liabilities are:

	Contractual cash flows		Carrying amount	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
1 year or less	316,661	253,556	316,753	253,621
1 – 5 years	2,942	1,691	4,158	2,872
Over 5 years	-	-	-	-
Total trade and other payables	**319,603**	**255,247**	**320,911**	**256,493**
1 year or less	19,205	14,677	19,205	14,677
1 – 5 years	20,085	29,301	20,085	29,301
Over 5 years	-	-	-	-
Total borrowings	**39,290**	**43,978**	**39,290**	**43,978**

(d) Foreign exchange risk

The Group operates internationally and is subject to foreign exchange risk arising from exposure to foreign currencies.

The Group adopts various procedures and policies to manage foreign currency risk where practicable. These procedures include the use of natural hedges arising from trading operations and subsidiaries' results, forecasting of future cash flows by currency, and can include the use of forward exchange contracts where abnormal transactions outside of operating activities could give rise to a material exposure – e.g. initial and contingent consideration payments made in relation to acquisitions. Additionally, the Group has a multi-currency debt facility which allows for borrowings in the relevant entity's functional currency.

16. Financial risk management (continued)

(d) Foreign exchange risk (continued)

The following table includes the financial assets and liabilities denominated in currencies other than the functional currency of the respective entities and presents the Group's exposure to foreign exchange risk at the end of the reporting period, expressed in Australian dollars.

2019	Cash and cash equivalents $'000	Trade and other receivables $'000	Related party loans $'000	Trade and other payables $'000	Borrowings $'000	Total $'000
USD	2,071	3,145	23,438	(3,179)	-	25,475
HKD	264	133	(22,302)	(117)	-	(22,022)
GBP	324	-	857	(260)	-	921
NZD	2	34	2,894	-	-	2,930
JPY	295	25	-	(1,348)	-	(1,028)
EUR	487	514	4,788	(313)	-	5,476
CHF	267	-	1,388	(13)	-	1,642
Others	1,684	838	3,209	(1,736)	-	3,995
Total foreign exchange risk	**5,394**	**4,689**	**14,272**	**(6,966)**	**-**	**17,389**

Based on the 2019 balances, a 10% stronger/(weaker) Australian dollar against the currencies held, would result in a Profit & Loss impact of $1,102,970/($902,430).

2018	Cash and cash equivalents $'000	Trade and Other receivables $'000	Related party loans $'000	Trade and Other payables $'000	Borrowings $'000	Total $'000
USD	1,186	6,661	23,067	(3,505)	-	27,409
HKD	439	232	(23,698)	(57)	-	(23,084)
GBP	257	-	(6,009)	(80)	-	(5,832)
NZD	2	-	1,036	(1)	-	1,037
JPY	109	86	-	(1,257)	-	(1,062)
Others	697	448	82	(1,441)	-	(214)
Total foreign exchange risk	**2,690**	**7,427**	**(5,522)**	**(6,341)**	**-**	**(1,746)**

Notes to the Consolidated Financial Statements: Unrecognised Items

This section provides information about items that are not recognised in the financial statements, but could potentially have a significant impact on the Group's financial position and performance.

17. Commitments

(a) Operating lease commitments – Group as lessee

The Group has entered into commercial leases for the rental of premises. These leases have an average life of between one and eight years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2019 $'000	2018 $'000
Within one year	10,371	8,837
After one year but not more than five years	25,843	13,244
More than five years	3,733	1,070
Total commitments	**39,947**	**23,151**

(b) Capital commitments

There is no significant capital expenditure contracted as at the end of the reporting period but not recognised as liabilities.

Accounting policy

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a rights to use the asset.

Operating lease payments, which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognised as an expense in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term. Incentives for entering into operating leases are recognised on a straight-line basis over the term of the lease. Lease income from operating leases, where the Group is a lessor, is recognised in income on a straight-line basis over the lease term.

18. Events occurring after the reporting period

Other than the following items, there have been no 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.

On 7 August 2019 the Group entered into a $225 million (GBP 125 million) multi-currency syndicated facility. The new Syndicated Facility Agreement is with HSBC UK Bank plc, Commonwealth Bank of Australia and Barclays Bank plc.

This facility replaces the existing facility in place at 30 June 2019 – refer note 12. The new facility offers CTM improved rates, lower annual costs, bank diversity and allows for future growth and flexibility.

As part of the new agreement is a permitted indebtedness basket of $406 million (GBP 225 million) in support of transactional banking facilities including bank guarantees, merchant facilities and overdrafts.

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.

19. Other assets

	2019 $'000	2018 $'000
Prepayments	4,824	3,701
Secured deposits (i)	5,752	-
Financial assets at fair value	-	502
Total other current assets	**10,576**	**4,203**

(i) This relates to secured deposits within the Lotus business – refer note 12 for further details.

20. Plant and equipment

No additions during the year (2018: $nil) were financed under lease agreements.

	Furniture, fixtures and equipment $'000	Computer equipment $'000	Leasehold improvements $'000	Other $'000	Total $'000
Year ended 30 June 2019					
Cost	7,052	14,668	9,090	1,405	32,215
Accumulated depreciation	(4,219)	(11,797)	(2,649)	(222)	(18,887)
	2,833	**2,871**	**6,441**	**1,183**	**13,328**
Opening net book amount	1,176	2,208	2,599	135	6,118
Additions	1,912	1,583	4,644	1,133	9,272
Additions through the acquisition of entities/businesses (note 7)	267	666	35	323	1,291
Depreciation charge	(533)	(1,656)	(850)	(303)	(3,342)
Exchange differences	11	70	13	(105)	(11)
Closing net book amount	**2,833**	**2,871**	**6,441**	**1,183**	**13,328**
Year ended 30 June 2018					
Cost	5,582	9,009	5,203	449	20,243
Accumulated depreciation	(4,406)	(6,801)	(2,604)	(314)	(14,125)
	1,176	**2,208**	**2,599**	**135**	**6,118**
Opening net book amount	870	1,755	2,544	93	5,262
Additions	647	1,351	678	89	2,765
Depreciation charge	(353)	(967)	(672)	(53)	(2,045)
Exchange differences	12	69	49	6	136
Closing net book amount	**1,176**	**2,208**	**2,599**	**135**	**6,118**

Accounting policy

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item. All other repairs and maintenance costs are charged to the profit and loss in the Consolidated Statement of Comprehensive Income during the reporting period in which they are incurred.

Impairment of non-financial assets, other than goodwill and intangible assets
At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

20. Plant and equipment (continued)

Accounting policy (continued)

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Derecognition
An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the Statement of Comprehensive Income in the year the asset is derecognised.

21. Fair value measurement

Fair value hierarchy

The balance for the Group's asset and liabilities measured and recognised at fair value is $2.6 million. The following table represents the changes for the year ended 30 June 2019.

	Contingent Consideration $'000
Opening balance 1 July 2018	-
Additions	3,232
Transfer to Acquisition payable (i)	(700)
Discount unwind	53
Closing balance at 30 June 2019	**2,585**

(i) The balance transferred to Acquisition payable during the period relates to the Platinum Travel contingent consideration ($0.7 million), based on the financial criteria relating to the earn out period being met.

Fair values of other financial instruments

At 30 June 2019 there are no forward exchange contracts in place.

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.

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 CFO, AC, and the finance team at least once every six months, in line with the Group's reporting dates.

22. Share-based payments

Share appreciation rights

The establishment of the CTM Share Appreciation Rights (SARs) Plan was approved by the Board on 19 October 2012. The SARs Plan is designed to provide long-term incentives for senior executives to deliver long-term shareholder returns. Under the plan, participants are granted SARs which only vest if certain performance standards are met, and the employee remains in service. Participation in the plan is at the Board's absolute discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Once vested, a participant will be deemed to have automatically exercised all vested SARs and CTM will settle its obligation in line with the SARs Plan. There is no consideration payable by the participant upon exercising of vested SARs. When exercised, the conversion of a SAR to an equity or cash based settlement, is determined using a formula referencing the relevant share prices of CTM, the number of SARs exercised, and is at the Board's sole absolute discretion.

22. Share-based payments (continued)

Share appreciation rights (continued)

Grants made during 2019 will vest on a scaled basis as follows:

- 50% vest at 80% target achievement;
- 75% vest at 90% target achievement; and
- 100% at 100% target achievement.

For equity based settlements, the calculation is as follows:

- Equity Settlement Amount = ((SMV – BP) / SMV) x PQSR

For cash based settlements, the calculation is as follows:

- Cash Settlement Amount = (SMV – BP) x PQSAR

Where:

Equity Settlement Amount – is the number of shares to be issued or transferred to the relevant participant in equity settlement of the performance qualified SAR at exercise;

Cash Settlement Amount – is the amount paid to a participant in cash settlement of a performance qualified SAR at exercise;

SMV – the Subsequent Market Value is the market value of a CTM Ltd share as at the performance qualification date in connection with that SAR;

BP – the Base Price of the SAR as determined by the Board; and

PQSAR – is the total number of performance qualified SARs with the same Base Price held by the relevant participant.

SARs granted under the plan carry no dividend or voting rights.

The following table summarises the SARs granted under the plan, no SARS expired during the periods below:

	2019 Number of SARS	2018 Number of SARS
As at 1 July	3,575,500	3,117,500
Granted during the year	1,613,000	1,610,000
Exercised during the year	(845,000)	(865,000)
Forfeited during the year	(475,000)	(287,000)
As at 30 June	**3,868,500**	**3,575,500**
Vested and exercisable at 30 June	**-**	**-**

SARs outstanding at the end of the year have the following expiry date and share base prices:

Grant date	Performance period	Base price	SARS 30 June 2019	SARS 30 June 2018
1 July 2015	1 July 2015 – 30 June 2018	$ 8.80	-	50,000
1 July 2015	1 July 2015 – 30 June 2018	$ 11.50	-	795,000
1 July 2016	1 July 2016 – 30 June 2019	$ 15.33	1,307,500	1,332,500
22 August 2017	1 July 2017 – 30 June 2020	$ 23.90	1,158,000	1,398,000
22 August 2018	1 July 2018 – 30 June 2021	$ 29.00	1,403,000	-
			3,868,500	**3,575,500**

On 21 August 2019, 386,762 shares will be issued upon vesting of 1,297,500 SARs. In addition to the share issue, on 21 August 2019, 1,753,000 SARs were granted, pursuant to the CTM SARs plan.

Fair value of SARs granted

The assessed fair value at grant date of the SARs granted during the year ended 30 June 2019 was $4.80 per SAR (2018 - $2.49). The fair value at grant date has been determined using a Black-Scholes pricing model that takes into account the share price at the time of the grant, the exercise price, the term of the SAR, the expected dividend yield, the expected price volatility of the underlying share and the risk free interest rate for the term of the SAR.

22. Share-based payments (continued)

Fair value of SARs granted (continued)

The fair value model inputs for SARs granted during the year ended 30 June 2019 included:

- SARs are granted for no consideration and vest based on Corporate Travel Management Limited's Earnings per Share growth over a 3 year vesting period.
- Base price: $29.00 (2018 - $23.90).
- Grant Date: 22 August 2018 (2018 – 22 August 2017).
- Expiry Date: 1 July 2021 (2018 - 1 July 2020).
- Share Price at Grant Date: $30.87 (2018 - $21.85).
- Expected price volatility of the Group's shares: 22.5% (2018 - 25%).
- Expected dividend yield: 3.0% (2018 - 3.0%).
- Risk-free interest rate: 2.13% (2018 – 1.94%).

The expected price volatility is based on the historic volatility, based on the remaining life of the SARS, adjusted for any expected changes to future volatility due to publicly available information.

Expenses arising from SARS

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense relating to share appreciation rights is $3,690,000 (2018: $2,176,000).

Accounting policy

Share-based compensation benefits are provided to employees by way of a SARs. The fair value of SARs granted is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of SARs that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, CTM revises its estimates of the number of SARs that are expected to vest based on the non-market vesting conditions. CTM recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

23. Interests in other entities

(a) Material subsidiaries

The Group’s principal subsidiaries at 30 June 2019 are set out in the following table. Unless otherwise stated, each entity has share capital consisting solely of ordinary shares that are held by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

23. Interests in other entities (continued)

(a) Material subsidiaries (continued)

Subsidiaries that provide travel services and contribute more than 5% of the Group's net profit before tax or 5% of the Group's net assets are considered material to the Group.

Name of entity	Place of business/ country of incorporation	Ownership interest held by The Group		Ownership interest held by noncontrolling interest		Principal activities
		2019 %	2018 %	2019 %	2018 %	
Corporate Travel Management Group Pty Ltd*	Australia	100.0	100.0	-	-	Travel services
Corporate Travel Management North America Inc	United States of America	100.0	100.0	-	-	Travel services
Westminster Travel Limited	Hong Kong	75.1	75.1	24.9	24.9	Travel services
Lotus Travel Limited	Hong Kong	75.1	-	24.9	-	Travel services
Corporate Travel Management Limited (HK)	Hong Kong	75.1	75.1	24.9	24.9	Travel services
Corporate Travel Management (United Kingdom) Limited	United Kingdom	100.0	100.0	-	-	Travel services
Corporate Travel Management (North) Limited	United Kingdom	100.0	100.0	-	-	Travel services

* This subsidiary has been granted relief from the necessity to prepare financial reports in accordance with Class Order 2016/785 issued by the Australian Securities and Investments Commission. For further information refer note 26.

(b) Non-controlling interests (NCI)

The following table summarises the financial information for Wealthy Aim Investments Limited ("Westminster Travel"), which has a non-controlling interest which is material to the Group.

The Westminster Travel Group includes non-controlling interests which are not material to the Group.

23. Interests in other entities (continued)

(b) Non-controlling interests (NCI) (continued)

The amounts disclosed are before inter-company eliminations.

Summarised Statement of Financial Position	2019 $'000	2018 $'000
Current assets	243,801	145,404
Current liabilities	(164,246)	(85,983)
Current net assets	**79,555**	**59,421**
Non-current assets	60,587	17,482
Non-current liabilities	(4,064)	(936)
Non-current net assets	**56,523**	**16,546**
Net assets	**136,078**	**75,967**
Accumulated NCI	**23,923**	**17,158**

Summarised Statement of Comprehensive Income	2019 $'000	2018 $'000
Revenue	80,704	53,807
Profit for the period	13,079	15,649
Other comprehensive income	5,453	2,699
Total comprehensive income	**18,532**	**18,348**
Profit/(loss) allocated to NCI	**3,238**	**3,870**
Dividends paid to NCI	**3,008**	**2,507**

Summarised Statement of Cash Flows	2019 $'000	2018 $'000
Cash flows from operating activities	29,982	18,311
Cash flows from investing activities	(47,965)	(832)
Cash flows from financing activities	45,350	(13,085)
Net increase/(decrease) in cash and cash equivalents	**27,367**	**4,394**

24. Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Corporate Travel Management Limited.

(b) Subsidiaries

Interest in subsidiaries are set out in note 23.

(c) Key management personnel compensation

	2019 $'000	2018 $'000
Short-term	5,427,637	4,767,414
Post-employment	230,084	254,361
Long-term benefits	104,667	13,259
Share-based payments	1,525,358	766,245
Total KMP compensation	**7,287,746**	**5,801,279**

Detailed remuneration disclosures are provided in the Remuneration Report on pages 14-24.

24. Related party transactions (continued)

(d) Transactions with other related parties

Deferred consideration balance of $13.5 million was paid to Chris Thelen in relation to the Chambers Travel acquisition. No remaining deferred consideration is payable to Chris Thelen. Rental expense of $50,805 was also paid to Chris Thelen.

Working capital adjustment of $44,000 was paid to Greg McCarthy in relation to the Platinum Travel acquisition.

(e) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2019 $'000	2018 $'000
Trade and other receivables Key management personnel	-	378
Other payables Key management personnel (i)	3,285	13,631
Other related parties	-	82

(i) The balance represents the present value of the consideration payable to Greg McCarthy, as a part of the acquisition of SCT Travel Group Pty Ltd, trading as Platinum Travel Corporation – refer to note 11.

(f) Terms and conditions

Directors for the Group hold other directorships as detailed in the Directors' Report. Where any of these related entities are clients of the Group, the arrangements are on similar terms to other clients. All transactions are made on normal commercial terms and conditions and at market rates.

Directors and executives can receive travel and event management services. All transactions are made on normal terms and conditions and at market rates. There are no amounts outstanding in relation to these transactions at 30 June 2019.

25. Parent entity financial information

(a) Summary financial information

The individual financial statements of the parent entity show the following aggregate amounts:

Statement of Financial Position	2019 $'000	2018 $'000
Current assets	8,186	1,279
Total assets	**444,327**	**397,056**
Current liabilities	14,878	26,988
Total liabilities	**27,627**	**47,938**
Net assets	**416,700**	**349,118**
Shareholders' equity		
Issued capital	384,771	322,150
Reserves	582	6,409
Retained earnings	31,347	20,559
Shareholders' equity	**416,700**	**349,118**
Profit for the year	**53,051**	**34,113**
Total comprehensive income	**53,051**	**34,113**

(b) Guarantees entered into by the parent entity

The parent entity is party to the overall financing arrangements and related security as detailed in note 12.

25. Parent entity financial information (continued)

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

(d) Contractual commitments

The parent did not have any contractual commitments at 30 June 2019 or 30 June 2018.

Accounting policy

The financial information for the parent entity, Corporate Travel Management Limited, has been prepared on the same basis as the consolidated financial statements, except as follows:

(i) Investments in subsidiaries
Investments in subsidiaries are accounted for at cost in the financial statements of Corporate Travel Management Limited.

(ii) Tax consolidation legislation
Corporate Travel Management Limited and its wholly-owned Australian controlled entities have implemented tax consolidation legislation. The head entity, Corporate Travel Management Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Corporate Travel Management Limited also recognises the current tax liabilities or assets and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

These entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Corporate Travel Management Limited for any current tax payable assumed and are compensated by Corporate Travel Management Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Corporate Travel Management Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

(ii) Tax consolidation legislation (continued)
The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts, to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to or distribution from wholly-owned tax consolidated entities.

(iii) Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for in the parent company and consolidated financial statements.

26. Deed of cross guarantee

Corporate Travel Management Limited, Corporate Travel Management Group Pty Ltd, Floron Nominees Pty Ltd, Sainten Pty Limited, Travelogic Pty Limited, WA Travel Management Pty Ltd, Travelcorp Holdings Pty Ltd, Travelcorp (Aust) Pty Ltd, ETM Travel Pty Ltd and Corporate Travel Management (New Zealand), Corporate Travel Management North America Limited, Corporate Travel Management North America, Inc, are parties to a Deed of Cross Guarantee, under which each company guarantees the debts of the other companies.

By entering into the Deed, the wholly owned Australian entities have been relieved from the requirement to prepare a Financial report and Directors' Report under Class Order 2016/785 (as amended) issued by the Australian Securities and Investments Commission.

These companies represent a 'closed group' for the purposes of the Class Order and, as there are no other parties to the deed of cross guarantee that are controlled by Corporate Travel Management Limited, they also represent the 'extended closed Group'.

26. Deed of cross guarantee (continued)

The following table presents a consolidated income statement, a Consolidated Statement of Comprehensive Income and a summary of movements in consolidated retained earnings for the year ended 30 June 2019 of the closed Group.

(a) Consolidated Statement of Comprehensive Income

	2019 $'000	2018 $'000
Revenue	271,265	235,600
Other income	39,308	21,276
Total revenue and other income	**310,573**	**256,876**
Operating expenses		
Employee benefits	(145,724)	(127,478)
Occupancy	(7,217)	(6,244)
Depreciation and amortisation	(10,413)	(8,221)
Information technology and telecommunications	(24,838)	(20,790)
Travel and entertainment	(3,494)	(3,048)
Administrative and general	(9,111)	(8,007)
Total operating expenses	**(200,797)**	**(173,788)**
Finance costs	(5,545)	(4,519)
Profit before income tax	**104,231**	**78,569**
Income tax expense	(23,682)	(16,065)
Profit for the year	**80,549**	**62,504**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	8,662	7,119
Changes in the fair value of cash flow hedge	(447)	87
Other comprehensive income for the period, net of tax	**8,215**	**7,206**
Total comprehensive income for the year	**88,764**	**69,710**

26. Deed of cross guarantee (continued)

(b) Consolidated Statement of Financial Position

	2019 $'000	2018 $'000
ASSETS		
Current assets		
Cash and cash equivalents	38,599	26,857
Trade and other receivables	98,149	87,057
Other assets	1,576	1,962
Related party receivable	2,083	4,241
Total current assets	**140,407**	**120,117**
Non-current assets		
Plant and equipment	4,603	3,865
Intangible assets	271,888	254,301
Investment in related parties	247,734	187,487
Deferred tax assets	5,517	5,863
Related party receivable	207	2,925
Total non-current assets	**529,949**	**454,441**
TOTAL ASSETS	**670,356**	**574,558**
LIABILITIES		
Current liabilities		
Trade and other payables	83,850	77,271
Borrowings	-	3,700
Income tax payable	(1,980)	855
Provisions	5,356	4,927
Related party payable	11,998	16,321
Total current liabilities	**99,224**	**103,074**
Non-current liabilities		
Trade and other payables	3,803	1,180
Borrowings	9,391	20,777
Provisions	1,455	1,194
Related party payable	47,312	44,892
Deferred tax liabilities	12,112	4,691
Total non-current liabilities	**74,073**	**72,734**
TOTAL LIABILITIES	**173,297**	**175,808**
NET ASSETS	**497,059**	**398,750**
EQUITY		
Contributed equity	364,368	301,747
Reserves	5,995	8,596
Retained earnings	126,696	88,407
TOTAL EQUITY	**497,059**	**398,750**

27. Auditors' remuneration

The auditor of the Group is PricewaterhouseCoopers.

	2019 $	2018 $
PricewaterhouseCoopers Australia:		
Audit and review of the financial reports of the entity	560,594	455,805
Other assurance services	40,000	-
Other services in relation to the entity:		
Tax compliance services	138,993	214,700
Tax advisory services	197,286	76,508
Total remuneration of PricewaterhouseCoopers Australia	**936,873**	**747,013**
Other PricewaterhouseCoopers network firms:		
Other services in relation to the entity and any other entity in the consolidated group:		
Audit and review of the financial reports	787,673	466,452
Other assurance services	11,455	10,932
Tax compliance services	5,558	8,357
Tax advisory services	29,350	-
Other advisory services	-	5,325
Total remuneration of PricewaterhouseCoopers network firms	**834,036**	**491,066**
Non-PricewaterhouseCoopers firms:		
Services in relation to the entity and any other entity in the consolidated group:		
Audit and review of the financial report	75,202	69,749
Total remuneration of Non-PricewaterhouseCoopers firms	**75,202**	**69,749**

28. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Corporate Travel Management Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS
The consolidated financial statements of the Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000), unless otherwise stated.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities, fair value through Statement of Comprehensive Income.

(b) New and amended standards

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2018:

(i) AASB 9 *Financial Instruments*; and
(ii) AASB 15 *Revenue from Contracts with Customers*.

The Group had to change its accounting policies and make certain presentation adjustments following the adoption of AASB 9 and AASB 15, which is disclosed in note 29.

28. Summary of significant accounting policies (continued)

(c) New and amended standards not yet applied

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 year ended 30 June 2019 and have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out in the following table.

Title of standard	Summary and impact on the Group's financial statements	Mandatory application date/ date of adoption by the Group
AASB 16 *Leases*	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in AASB 16. The standard will affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $39,947,000, refer note 17. Of these commitments, approximately $1,085,000 relate to short-term leases and $1,088,000 to low value leases which will both be recognised on a straight-line basis as expense in profit or loss. The Group expects to recognise right-of-use assets of approximately $54,200,000 on 1 July 2019, lease liabilities of $57,400,000 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and deferred tax assets of $894,000. Overall, net assets will be approximately $2,300,000 lower, and net current assets will be $7,600,000 lower due to the presentation of a portion of the liability as a current liability. Underlying EBITDA used to measure segment results is expected to increase within the range of $9,500,000 to $10,500,000 as the operating lease payments were previously included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability will be excluded from this measure. The Group expects that net profit after tax will decrease within the range of $50,000 to $950,000 for financial year 2020 as a result of adopting the new standard. Operating cash flows will increase, and financing cash flows will decrease within the range of $9,000,000 to $9,500,000 as repayment of the principal portion of the lease liabilities will now be classified as cash flows from financing activities. The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.	The Group will apply the standard from its mandatory adoption date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied but using the incremental borrowing rate at the date of transition.

28. Summary of significant accounting policies (continued)

(c) New and amended standards not yet applied (continued)

Title of standard	Summary and impact on the Group's financial statements	Mandatory application date/ date of adoption by the Group
AASB Interpretation 23 *Uncertainty over Income Tax Treatments*	AASB Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112 when there is uncertainty over income tax treatments. Where such uncertainty exists, an entity will be required to recognised and measure its current or deferred tax asset or liability, applying the requirements in AASB112 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this Interpretation. When there is uncertainty over income tax treatments, the Interpretation addresses the following: • Whether an entity considers uncertain tax treatments separately; • The assumptions an entity makes about the examination of tax treatments by taxation authorities; • How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • How an entity considers changes in facts and circumstances. An entity is required to determine whether to consider each uncertain tax treatment separately, or together, with one or more other uncertain tax treatments, and shall follow the approach that better predicts the resolution of the uncertainty. The application of the interpretation is not anticipated to have a material impact on the Group's consolidated financial statements.	Mandatory for financial year ending 30 June 2020. At this stage, 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.

(d) Rounding of amounts

The Company 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 financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

29. Changes in accounting policies

This note explains the impact of the adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

AASB 15 *Revenue from Contracts with Customers* – Impact of adoption

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018, which resulted in changes in accounting policies and adjustments to the note disclosure. There has been no material impact on the Group's results for the year ended 30 June 2019. In accordance with transition provisions, the Group has restated comparatives for the year ended 30 June 2018 for note disclosures (note 10). A new accounting policy for revenue has been disclosed within note - 2 Revenue. In line with AASB 15 disclosure requirements, revenue has been presented at a disaggregated level within note 2 - Revenue and the total contract asset balance has also been disclosed separately within note 10 – Trade and other receivables.

29. Changes in accounting policies (continued)

AASB 9 *Financial Instruments* – Impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 *Financial Instruments* from 1 July 2018 resulted in changes in accounting policies adopted by the Group, which has been detailed note – 10 Trade and other receivables. The change in the Group's accounting policies, applied from 1 July 2018, did not impact prior year financial statement balances. Opening balances have not been restated. There has been no material impact on the Group's results for the year ended 30 June 2019.

(a) Classification and measurement

On 1 July 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate AASB 9 categories. There was no material impact on the balances in the financial statements resulting from this reclassification.

(b) Derivative and hedging activities

There is no material impact on derivative and hedge activities from the adoption of AASB 9. The Group does not have any open hedges as at balance sheet date. The prior year balance relating to hedge activities is not impacted by the adoption of AASB 9.

(c) Impairment of financial assets

The Group's financial assets are subject to AASB 9's new expected credit loss model. The Group has revised its impairment methodology for financial assets and applied the simplified approach to measuring expected credit losses. The simplified approach uses a lifetime expected loss allowance.

Financial assets have been grouped based on their shared credit risk characteristics. Contract assets represent balances earned, but which are not yet unconditional and have the same characteristics as trade receivables. Loss rates for trade receivables are a reasonable approximation for contract asset balances. The loss allowances for financial assets on 1 July 2018 were not materially different to the loss allowances as at 30 June 2018. There was no material impact on the financial statement balances resulting from the application of AASB 9 methodology.

Individual debts that are known to be uncollectible are written off when identified.

Directors' Declaration

In the Directors' opinion:

(a) The financial statements and notes set out on pages 28 to 76 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 30 June 2019 and of its performance for the financial 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

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 26.

Note 28 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Global Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Mr Ewen Crouch AM
Chairman

Mr Jamie Pherous
Managing Director

Brisbane, 21 August, 2019

Independent auditor's report

To the members of Corporate Travel Management Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Corporate Travel Management Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group provides travel management solutions to the corporate market and operates in four broad geographic regions, being Australia & New Zealand ("ANZ"), North America, Asia and Europe. The regional finance functions report to the Group finance function in Brisbane, Australia where the consolidation is performed.

Materiality

- For the purpose of our audit we used overall Group materiality of \$6.0 million, which represents approximately 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because the Group is profit oriented and because, in our view, it is one of the metrics against which the performance of the Group is most commonly measured and it is a generally accepted benchmark.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit related thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In establishing the overall approach to the Group audit, we determined the type of audit work that needed to be performed by us, as the Group engagement team, and by component auditors in Hong Kong and the UK operating under our instruction. We structured our audit as follows:
  - We engaged component auditors in Hong Kong and the UK to perform audit procedures over the Asia and Europe regions respectively.
  - We performed audit procedures over the North America region, which included us visiting the Houston and Los Angeles based finance functions.

- We also performed audit procedures over the Australia & New Zealand region, in addition to auditing the consolidation of the Group's regional reporting units into the Group's financial report.

- For the work performed by component auditors in Hong Kong and the UK, we determined the level of involvement we needed to have in the audit work at these locations to be satisfied that sufficient audit evidence had been obtained as a basis for our opinion on the Group financial report as a whole. This included active dialogue throughout the year through discussions, issuing written instructions, receiving formal interoffice reporting, as well as attending meetings with local management. Members of our Group audit team undertook site visits to each of the four regions during the year ended 30 June 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

Key audit matter	***How our audit addressed the key audit matter***
Recognition and presentation of revenue *(Refer to note 2 Revenue)* The Group's provision of travel services to clients drives a number of revenue streams. The recognition of revenue from these sources is dependent on the terms of the underlying contracts with customers and suppliers. Judgement is involved in the recognition of volume based incentive revenue, as revenue is accrued over the contract period based on the expected achievement of contractual performance criteria specific to each supplier. We focused on the recognition and presentation of revenue due to the materiality of the revenue balance as a whole, the judgemental nature of volume based incentive revenue, and the additional disclosure considerations per the requirements of AASB 15 *Revenue from contracts with customers*.	Our procedures in relation to the recognition of revenue from selected significant revenue streams included, amongst others: • Obtaining an understanding of the Group's revenue recognition processes • Agreeing a sample of recorded fees and commission transactions to supporting documents, including customer agreements, invoices, remittances and bank statements • Utilising data analytic techniques to identify revenue transactions for our testing of journal entries • Comparing on a sampling basis, volume based incentive revenue balances to supporting documents, including third party confirmations, remittances and bank statements • Comparing the percentages, rates and Total Transaction Value ("TTV") inputs used in the underlying calculations of volume based incentive revenue, for a sample of suppliers, to percentages and rates stipulated in the supplier agreements, and known TTV data supplied by third parties • Assessing the completeness and accuracy of the Group's revenue disclosures per the requirements of AASB 15.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on the Group's goodwill balances *(Refer to note 15 Impairment testing of goodwill)* At 30 June 2019, the Group recorded $506.7m of intangible assets, of which $453.5m related to goodwill. These assets are allocated between four cash generating units ("CGUs"), being Australia & New Zealand, North America, Europe and Asia. As required by Australian Accounting Standards, at 30 June 2019 the Group performed an impairment assessment over the goodwill balance by calculating the recoverable amount for each CGU, using a 'value in use' discounted cash flow model. Given the level of judgement involved in estimating the key assumptions in the valuation models, including forecast performance, growth rates and discount rates, and the materiality of the goodwill recognised on the Group's balance sheet, we determined that this was a key audit matter. No impairment charge was recorded by the Group in the current financial year.	Our procedures in relation to the impairment assessment of goodwill included, amongst others: • Assessing the appropriateness of the Group's determination of its CGUs • Testing the mathematical accuracy of the underlying calculations in the Group's discounted cash flow valuation models • Comparing the cash flow forecasts for FY20 used in the models to the Board approved budget for FY20 • Comparing the FY19 actual results with prior year forecasts to assess the accuracy of the Group's forecasting processes • Evaluating the key assumptions in the cash flow models, including growth rates and discount rates • Performing sensitivity analysis to assess the impact of reasonably possible changes in the assumptions used in the valuation models, including the discount rates, growth rates, and FY20 forecast. We also compared the Group's net assets as at 30 June 2019 of $592.5m to its market capitalisation of $2,441.1m at 30 June 2019, and noted the $1,848.6m of implied headroom in the comparison.
Capitalisation of internally generated software development costs *(Refer to note 8 Intangible assets)* The Group has software development teams in each of its regions, and during the year ended 30 June 2019, material expenditure has been incurred in developing technology solutions. This expenditure is capitalised when the development projects meet the criteria of AASB 138 *Intangible assets*. In the year ended 30 June 2019, there were software additions of $18.8m, which primarily relates to salary costs associated with internally developed software. We focused on this area due to the level of judgement involved in assessing whether the costs meet the recognition criteria for capitalisation per AASB 138, as well as the quantum of expenditure capitalised during the year.	Our procedures in relation to the capitalisation of internally generated software development costs included, amongst others: • Developing an understanding of the Group's policy for capitalising software development costs and the process for capturing costs • Testing a sample of capitalised costs by obtaining payslip data and timesheet records • Testing, on a sampling basis, whether transfers from 'work in progress' to 'software' have occurred at the appropriate time upon completion of the development project • Assessing, on a sampling basis, the Group's assessment of likely future economic benefit for developed assets • Assessing, on a sampling basis, the reasonableness of the useful lives of developed software assets.

Key audit matter	*How our audit addressed the key audit matter*
Accounting for business combinations *(Refer to note 7 Business combinations)* The Group completed two acquisitions during the year ended 30 June 2019: • Lotus Travel ("Lotus") in Hong Kong on 2 October 2018 • SCT Travel ("Platinum") in Australia on 1 July 2018 We determined that the accounting for business combinations was a key audit matter due to the materiality of the value of the transactions, net assets acquired and resultant goodwill arising on the acquisitions, as well as the judgement involved in the Purchase Price Allocation ("PPA") calculations.	Our procedures in relation to the accounting for acquisitions included, amongst others: • Testing of the initial consideration paid for each of the acquisitions to the bank statements and the purchase agreements • Obtaining purchase agreements for each of the acquisitions to determine the level of deferred consideration, and whether any consideration is contingent on future events • Assessing the contingent consideration liability recognised at acquisition date for the Platinum acquisition, by reference to the terms of the purchase agreement • Testing, on a sampling basis, acquired working capital balances, including trade receivables and trade payables, to post acquisition date payments and receipts • Assessing the valuation of customer contract and relationship intangible assets recognised as part of the PPA calculations • Assessing the mathematical accuracy of the Group's calculation of the resulting goodwill arising on the PPA calculations • Assessing the accuracy and completeness of business combination disclosures in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Chairman's Report, Managing Director's Report, Directors' Report, Corporate Governance Statement, Shareholder Information and Corporate Directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 14 to 24 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Corporate Travel Management Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Crowe

Michael Crowe
Partner

Brisbane
21 August 2019

Shareholder Information

The shareholder information set out below was applicable at 26 July 2019.

a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Number of shareholders
1 – 1,000	8,753
1,001 – 5,000	3,649
5,001 – 10,000	410
10,001 – 100,000	247
100,001 and over	43
	13,102

There were 258 holders of less than a marketable parcel of ordinary shares.

b) Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed as follows:

	2019 Number held	Percentage of issued shares
HSBC Custody Nominees (Australia) Ltd	24,660,822	22.73%
Pherous Holdings Group Pty Ltd	20,740,000	19.12%
J P Morgan Nominees Australia Limited	12,228,565	11.27%
Citicorp Nominees Pty Limited	7,997,890	7.37%
BNP Paribas Nominees Pty Ltd	2,779,512	2.56%
National Nominees Limited	2,452,576	2.26%
Claire Lesley Gray	2,062,978	1.90%
BNP Paribas Noms Pty Ltd	2,057,950	1.90%
Matimo Pty Ltd	1,279,350	1.18%
National Nominees Limited	1,217,799	1.12%
Steven Craig Smith	1,090,838	1.01%
Ms Helen Logas	978,554	0.90%
Citicorp Nominees Pty Limited	811,679	0.75%
Argo Investments Limited	736,682	0.68%
Mr Matthew Dalling	729,171	0.67%
HSBC Custody Nominees (Australia) Limited	590,502	0.54%
Shamiz Pty Ltd	526,893	0.49%
Doobie Investments Pty Limited	457,436	0.42%
Christopher Alexander Thelen	431,007	0.40%
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd DRP	370,158	0.34%
	84,200,362	**77.61%**

b) Equity security holders (continued)

Unquoted equity securities

	Number on issue	Number of holders
Share Appreciation Rights	3,998,500	47

c) Substantial holders

Substantial holders (including associate holdings) in the company are set as follows:

	Number held	Percentage Issued shares
HSBC Custody Nominees (Australia) Ltd	24,660,822	22.73%
Pherous Holdings Group Pty Ltd and Shamiz Pty Ltd	21,266,893	19.60%
J P Morgan Nominees Australia Limited	12,228,565	11.27%
Bennelong Australian Equity Partners Ltd	8,209,124	7.57%
Citicorp Nominees Pty Limited	7,997,890	7.37%
Mitsubishi UFJ Financial Group, Inc	7,507,368	6.92%
Morgan Stanley	7,457,961	6.87%
Commonwealth Bank of Australia	6,548,987	6.04%
Pinnacle Investment Management Group Limited and Pinnacle Investment Management Limited	5,651,178	5.65%
Hyperion Asset Management Limited	5,019,113	5.04%

d) Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares voting rights
On a show of hands, every member present at a meeting in person or by proxy shall have one vote. Upon a poll, each share shall have one vote. There are currently no options held.

Share Appreciation Rights
Share appreciation rights have no voting rights.

Corporate Directory

Directors	Ewen Crouch AM Jamie Pherous Stephen Lonie Greg Moynihan Admiral Robert J. Natter, U.S. Navy (Ret.) Laura Ruffles
Secretary	S. Fleming S. Yeates
Notice of Annual General Meeting	The Annual General Meeting of Corporate Travel Management will be held in Brisbane on Wednesday 6 November 2019 at 11am at the Marriott, Brisbane (515 Queen Street, Brisbane QLD 4000).
Registered office in Australia	Level 24, 307 Queen Street Brisbane QLD 4000
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067 Telephone: 1300 787 272
Auditor	PricewaterhouseCoopers Australia 480 Queen Street Brisbane QLD 4000
Stock exchange listing	Corporate Travel Management shares are listed on the Australian Securities Exchange (ASX).
Website address	www.travelctm.com
ABN	17 131 207 611