



The CTM Difference.

CTM ANNUAL REPORT 2018



corporate travel
management

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Financial Highlights.

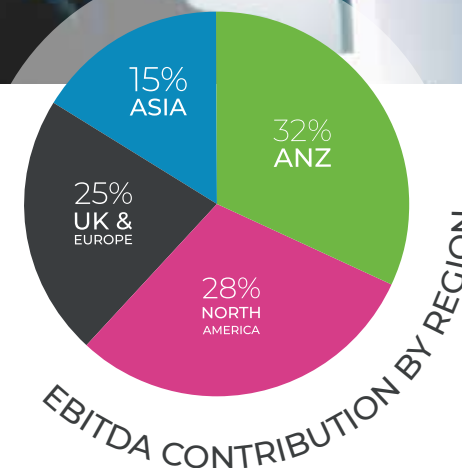
↑14%
REVENUE
AND OTHER
INCOME
\$372.2m

↑27%
UNDERLYING
EBITDA
\$125.4m

↑41%
STATUTORY
NPAT
\$76.7m

↑29%
UNDERLYING
EPS
81.1c/share

↑20%
DIVIDEND
PAYABLE
36c/share



TOTAL
TRANSACTION
VALUE ↑19%
\$4,958.3m

DIVERSE SERVICES



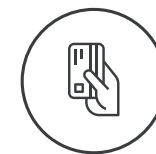
CORPORATE



EVENTS



LEISURE



LOYALTY



WHOLESALE



In the year to 30 June 2018, CTM's revenue of \$371.0m was 14% higher than the previous year.

Chairman & Managing Director's Report.

Dear Shareholders,

Introduction

We are pleased to present the 2018 Annual Financial Report of Corporate Travel Management Limited ("CTM" or "the Group"). The Group has had another strong year, its 8th year since the Company listed on the ASX in December 2010.

Outstanding Performance

In the year to 30 June 2018, CTM's revenue of \$371.0 million was 14% higher than the previous year.

CTM's statutory net profit after tax ("NPAT") of \$76.7 million for the year to 30 June 2018 compares with \$54.6 million in the previous year, representing a 41% increase. Underlying NPAT was \$86.0 million, when adding back one-off acquisition costs of \$0.7 million and non-cash amortisation of client intangibles (tax effect) of \$8.6 million, representing a 34% increase on prior year.

Financial Position

CTM is in a sound financial position, with total assets of \$804.8 million at 30 June 2018, an increase of \$64.6 million or 9% from 30 June 2017. The growth in assets is primarily due to the continued strong operating performance of the business.

The continued generation of strong cash flows contributed to the Group's sound financial position, with net cash flows from operating activities of \$94.4 million over the year to 30 June 2018. On a normalised basis, taking into account immediate term timing differences, the operating cash conversion rate is approximately 99%.

Total equity of \$471.5 million at 30 June 2018 compares with \$401.4m at 30 June 2017, an increase of \$70.1 million or 17% over the year.

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.

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.

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 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.



CTM's focus remains its clients and staff, to ensure its service offering is both innovative and cost effective.

Employees

A competent and motivated workforce is integral to CTM's success. CTM employs over 2,300 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 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 2019, 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

We 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.

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

The Board has declared a dividend of 21 cents per share on 22 August 2018, which will be paid on 4 October 2018 to all shareholders registered on 7 September 2018.

Tony Bellas
Chairman
Corporate Travel Management Limited
22 August 2018

Jamie Pherous
Managing Director
Corporate Travel Management Limited
22 August 2018

With you every step of the journey.

Corporate Travel Management is committed to a growth strategy that strengthens our ability to deliver superior service, market-leading technology and a positive return on investment for customers.

Our proactive approach to account management ensures we continually identify new savings opportunities for customers, while our proprietary technology is developed to meet their ever-changing needs. However, business travel management is complex, and for the end user, it can be emotional.

While technology provides an essential competitive advantage for customer satisfaction, the importance of a human touch can't be underestimated. That is why CTM's highly personalised service is a key point of difference across all our operations.



Customer-centric technology

CTM puts the user front and centre of our industry-leading technology. Working out of four global technology hubs, our world-class development team continually enhance our travel tools based on customer feedback.

This personalised approach ensures we deliver technology which is flexible and engineered to last, and that our tools are the most intuitive, responsive and easy to use on the market.



CTM expertise: our customers' advantage

CTM's continuous feedback loops empower all our employees and customers to share ideas on how to improve our service and product offering.

This informs everything we do. From helping with pre-trip approvals and policy implementation, delivering the best fares, being available 24/7 for travellers on the road, and providing post-trip reporting to enhance travel behaviour.

Our dedicated account managers are accountable for every aspect of customers' travel programs. We make it our business to deliver on their travel goals.

We have the established supplier relationships, global buying power and industry expertise to ensure that for every dollar spent on our travel services, we'll return more to our customers in savings.

In the rapidly-evolving business travel industry, CTM continues to demonstrate how to build and maintain the best possible managed travel solutions for the global market.

From their first interaction with our passionate and knowledgeable team, our customers know we are with them every step of the journey. That's the CTM difference.



Customer care

While our priority is to ensure a smooth and enjoyable experience for all business travellers, things don't always go to plan. Incidents and emergencies can occur, and employees are away from their families in often unfamiliar surroundings.

The requirements of each customer are unique, and in times of need, a familiar voice can make all the difference. CTM's teams are always on hand to deliver round-the-clock support and emergency assistance for ultimate peace of mind.



Going global, staying local

CTM's travel solutions are developed and delivered by local consultants and strategic account management teams in every region. This model is successfully replicated across all our global markets.

In addition to understanding customers' specific requirements, our 2,300 industry professionals know what is happening on the ground in more than 70 countries.

As a result, our customers receive the same exemplary service and local market expertise they come to expect from CTM wherever their travels may take them.



We'll get you there.



"I was stranded in Belfast whilst away on business. There were huge disruptions, blizzards, power cuts and all the planes were grounded. I would just like to say how wonderful I found the CTM Travel Desk. They took care of everything for me. The whole team were so organised and calming during what was a very stressful situation and kept me informed every step of the way."

Herbert Smith Freehills



"CTM's travel warnings were crucial to my travellers being able to make informed decisions that would keep them safe and secure whilst travelling. They received information about a flight rescheduled to leave earlier than anticipated, allowing them to check in for the flight on time for which they were grateful."

Target, Australia

The CTM Customer Value Proposition

- Highly personalised service
- Innovative technology
- Return on investment

Trust, respect and understanding are the foundations of CTM's long-standing partnerships with customers and suppliers.



CTM understands our unique business needs and offers us flexibility and professionalism in account management, reporting capabilities, online functionality and geographic coverage. Despite growing impressively over the last six years, CTM has continued to provide excellent personalised service (usually expected only from a boutique firm) combined with the scale of a global operator.

Wesfarmers

Global Footprint.

NORTH AMERICA (EST. 2012)

19 OFFICES IN 8 STATES FROM
COAST TO COAST
750 EMPLOYEES
TTV \$1,306.1M
REVENUE \$127M
EBITDA \$37.9M

UK & EUROPE (EST. 2014)

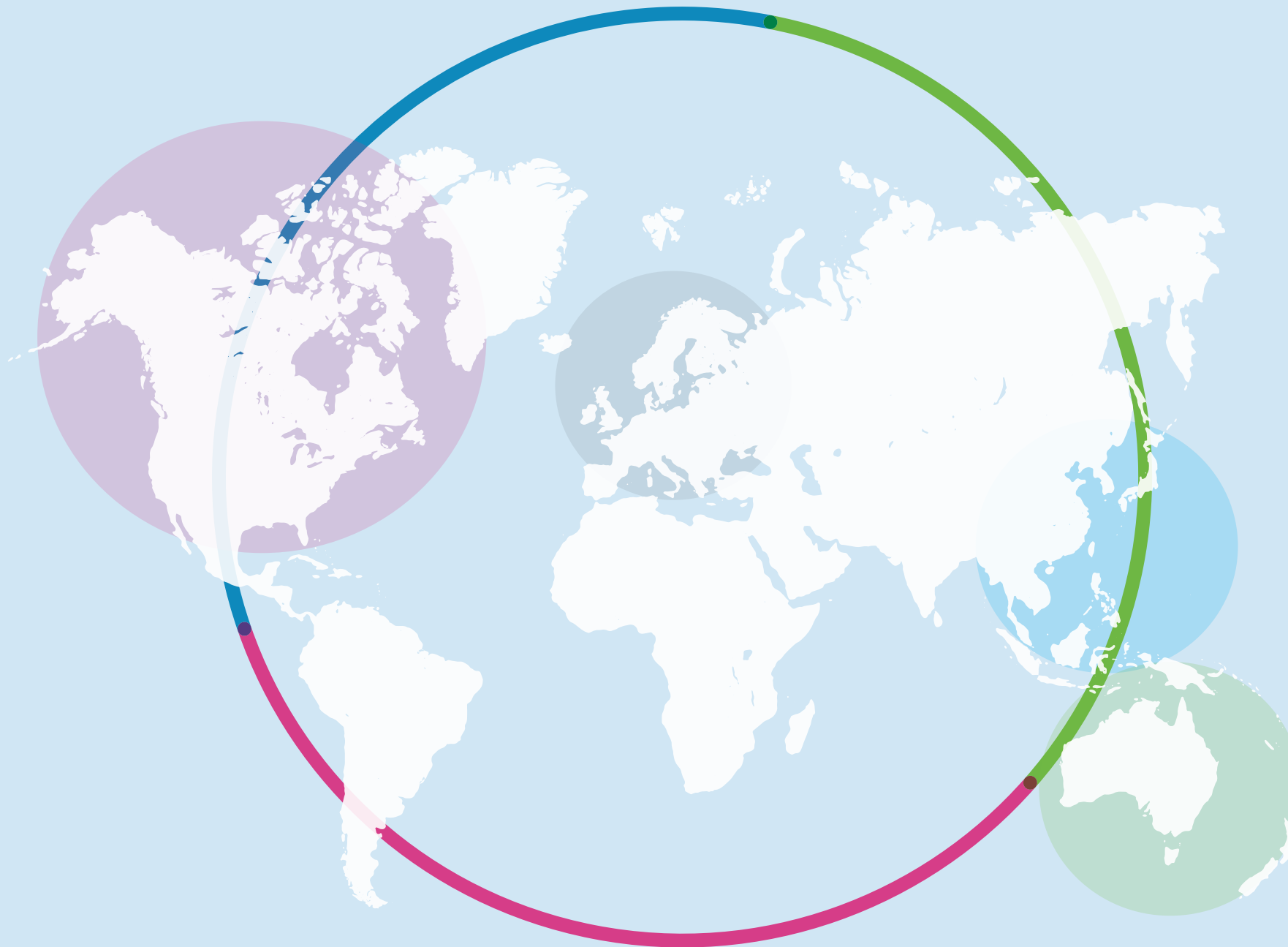
OFFICES IN 12 COUNTRIES
SUPPORTING 10 LANGUAGES
450 EMPLOYEES
TTV \$1,013.3M
REVENUE \$81.7M
EBITDA \$34.2M

ASIA (EST. 2013)

OFFICES ACROSS 5
ASIAN TERRITORIES
450 EMPLOYEES
TTV \$1,483M
REVENUE \$53.8M
EBITDA \$19.5M

AUSTRALIA & NZ (EST. 1994)

9 OFFICES ACROSS AUS & NZ
650 EMPLOYEES
TTV \$1,155.9M
REVENUE \$108.5M
EBITDA \$44M



OUR TECHNOLOGY

All information current as of June 30, 2018

- ✓ Proprietary patented technology
- ✓ Regionalised market solutions
- ✓ CTM user labs
- ✓ Hundreds of technology releases
- ✓ 300,000 SMART Alerts were sent to CTM travellers
- ✓ Core focus: responsive and agile
- ✓ Four global technology hubs
- ✓ Agile two-weekly releases
- ✓ 100+ CTM technology staff
- ✓ 6 million bookings via CTM online booking tools

Board of Directors.

LOOKING TO THE FUTURE.



Tony Bellas

Chairman

Tony Bellas has more than 30 years' experience in both the government and private sectors. Tony has previously held positions of Chief Executive Officer of Ergon Energy Ltd, CS Energy Ltd, Seymour Group Pty Ltd, and was previously Queensland's Deputy Under Treasurer.



Jamie Pherous

Managing Director

Jamie Pherous, Managing Director, founded Corporate Travel Management in 1994. He built the company from its headquarters in Brisbane to become the largest privately-owned travel management company in Australia and, in late 2010, became successfully listed on the Australian Securities Exchange (ASX). Jamie is also a non-Executive Director of The Australian Federation of Travel Agents (AFTA).



Stephen Lonie

Independent Non-Executive Director

Stephen Lonie is a Chartered Accountant with more than 40 years' industry experience 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.



Greg Moynihan

Independent Non-Executive Director

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. He now focuses on commitments as a Non-Executive Company Director, as well as pursuing business interests in the investment management and private equity sectors.



Admiral Robert J. Natter, US Navy (Ret.)

Independent Non-Executive Director

Robert Natter retired from active military service a decade ago and now has more than 10 years' 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.



Laura Ruffles

Executive Director

Laura Ruffles is CTM's Global Chief Operating Officer and in late 2015 was appointed an Executive Director in recognition of her leadership contribution to CTM's success. Laura has more than 20 years' experience leading local, regional and global business strategy, and in 2013 completed a Master of Business Administration from the Australian Institute of Business.

Executive Team.



Jamie Pherous

Managing Director

Jamie Pherous founded Corporate Travel Management in 1994. He built the company from its headquarters in Brisbane to become the largest privately-owned travel management company in Australia and, in late 2010, became successfully listed on the Australian Securities Exchange (ASX). Prior to establishing CTM, Jamie was employed by Arthur Andersen (now Ernst & Young) as a chartered accountant specialising in business services and the financial consulting division in Australia, Papua New Guinea and the United Arab Emirates.



Steve Fleming

Global Chief Financial Officer

Steve Fleming is responsible for Corporate Travel Management's finance function, treasury management, key stakeholder liaison and strategic planning in conjunction with the Managing Director and Board. Steve has more than 25 years' experience in commercial finance roles gained with high growth companies across several industries and countries including Abbey National, TrizecHahn, Deutsche Morgan Grenfell and Arthur Andersen.



Laura Ruffles

Global Chief Operating Officer

As CTM's Global Chief Operating Officer, Laura is responsible for all aspects of the company's business performance. During FY18 she held both the role of Global COO and the position of Chief Executive Officer ANZ. Laura joined CTM in 2010 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 holds an MBA, is a graduate of the Australian Institute of Company Directors and is a guest lecturer at the Australian Institute of Business.



Debbie Carling

CEO Europe

Debbie has worked in the travel industry for over 30 years' in several key strategic and senior roles, including Commercial Director at Britannic Travel. During this time Debbie led the setup of global brand FCM Travel Solutions and became the Executive General Manager of Europe. In 2011 Debbie joined Chambers Travel and became COO soon after. Debbie successfully instilled new company processes, productivity and developments in supplier relations. In December 2014 Chambers was acquired by Corporate Travel Management, during which time Debbie played a key role in the successful transition. Debbie was appointed as CEO Europe for CTM in July 2016.



Chris Thelen

CEO North America

Chris Thelen joined Chambers Travel (UK, Europe) in 1999 and led a management buy-out of the company five years later. Under his leadership, Chambers Travel quadrupled its turnover and its staff, and became an award-winning business with offices across eight European countries. Chambers Travel was acquired by CTM in December 2014, where Chris remained at the helm of CTM's European operations until his transfer to CEO North America in July 2016.



Greg McCarthy

CEO Australia & New Zealand

Greg McCarthy has more than 35 years' experience in the travel industry holding several leadership positions. He founded two travel management companies in Australia, building them up from small operations to highly successful medium-sized businesses. Greg has worked for international airlines and held an executive directorship in a global TMC, achieving a strong track record delivering for customers. He was co-founder of Platinum Travel Corporation. CTM acquired Platinum's Brisbane and Sydney offices in 2018, with Greg commencing as CTM CEO Australia and New Zealand on 1 July 2018.



Larry Lo

CEO Asia

Joining Westminster Travel in 2008, Larry Lo is responsible for the company's overall management, sales operations and continued development of strategic alliance partnerships across the Asia region. He started his career in 1988 as a Travel Consultant and worked in several travel companies in Hong Kong and Canada gaining an in-depth insight into the international travel industry. Today, he manages more than 700 employees in Hong Kong, Mainland China, Macau, Taiwan and Singapore. He currently serves as a Chairman on the Society of IATA Passenger Agents (SIPA) and a director of the Travel Industry Council of Hong Kong (TIC).



Annual Financial Report.

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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 period ended 30 June 2018.

Directors

The following persons were directors of Corporate Travel Management Limited during the whole of the financial year and up to the date of this report:

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

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:

| | 2018 \$'000 |
|--|----------------|
| Final ordinary dividend for the year ended 30 June 2017 of 18.0 cents per fully paid share paid on 5 October 2017 | 19,048 |
| Interim ordinary dividend for the year ended 30 June 2018 of 15.0 cents per fully paid share paid on 11 April 2018 | 15,916 |
| Total dividends paid | 34,964 |

Since the end of the financial year, the Directors have recommended the payment of a final ordinary dividend of \$22,697,826 (21.0 cents per fully paid share), to be paid on 4 October 2018 out of retained earnings at 30 June 2018.

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:

| | 2018 \$'000 | 2017 \$'000 | Change % |
|--|----------------|----------------|-------------|
| Total Transaction Value (TTV) (unaudited) | 4,958,331 | 4,161,943 | 19% |
| Revenue and other income | 372,236 | 325,874 | 14% |
| EBITDA adjusted for one-off non-recurring / acquisition costs (adjusted EBITDA) | 125,450 | 98,615 | 27% |
| Net profit after tax (NPAT): | 80,582 | 57,838 | 39% |
| NPAT - Attributable to owners of CTM | 76,712 | 54,556 | 41% |
| One-off non-recurring / acquisition costs (tax effect) | 708 | 1,376 | |
| Underlying NPAT - Attributable to owners | 77,420 | 55,932 | 38% |
| Amortisation of client intangibles (tax effect) | 8,561 | 8,305 | |
| Underlying NPAT - Attributable to owners (excluding acquisition amortisation) | 85,981 | 64,237 | 34% |

Directors' Report (continued)

Review of operations (continued)

The net profit after tax of the Group for the financial period amounted to \$76,712,000 (2017: \$54,556,000). The result was underpinned by a 14% increase in revenue, and includes a full year contributed results from the acquisitions of Redfern Travel and Andrew Jones Travel, both acquired on 1 February 2017.

In addition, adjusted EBITDA grew by 27% to \$125.4 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, EBITDA grew by 28% to \$126.4 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.

| | 2018 \$'000 | 2017 \$'000 | 2016 \$'000 | 2015 \$'000 |
|--|----------------|----------------|----------------|----------------|
| Net profit after tax: | | | | |
| Attributable to members | 76,712 | 54,556 | 42,134 | 26,367 |
| Attributable to minority interest | 3,870 | 3,282 | 3,609 | 2,727 |
| Shareholder funds | 301,747 | 281,847 | 175,231 | 161,675 |
| Basic EPS (cents per share) | 72.4 | 53.5 | 43.2 | 28.1 |
| Basic EPS growth | 35% | 24% | 54% | 48% |
| Return on equity | 25% | 19% | 24% | 16% |
| Dividend per share - year end | 21.00 | 18.00 | 15.00 | 10.00 |
| Dividend per share - interim | 15.00 | 12.00 | 9.00 | 6.00 |
| Dividend per share - full financial year | 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.

| | 2018 \$'000 | 2017 \$'000 |
|----------------------------|----------------|----------------|
| TTV net of GST (unaudited) | 4,958,331 | 4,161,943 |

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

CTM also continues to maintain a strong financial position, with net current assets of \$49.3 million and total equity of \$471.5 million. At 30 June 2018, the Group had \$44.0 million (2017: \$45.4 million) in borrowings. CTM's acquisition growth has been funded through a combination of operating cash flow and short term debt. There has been further acquisition payments for prior acquisitions of \$37.2 million funded through borrowings and capital expenditure of \$13.7 million during the year funded from operating cash flow.

The Company continues to pay dividends at its stated dividend policy level, with a final dividend declared at 21.0 cents per share (full year: 36.0 cents). This dividend represents an increase of 20% on the preceding period.

Directors' Report (continued)

Review of operations (continued)

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 2018 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 2017 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 underlying operations

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

| | CTM Consolidated | | | Australia & New Zealand | | | North America | | | Asia | | | Europe | | | Group | |
|-----------------------------|------------------|---------|-----|-------------------------|-------|-----|---------------|---------|------|---------|---------|------|---------|-------|-----|--------|--------|
| | 2018 | 2017 | | 2018 | 2017 | | 2018 | 2017 | | 2018 | 2017 | | 2018 | 2017 | | 2018 | 2017 |
| REPORTED AUD | \$m | \$m | | \$m | \$m | | \$m | \$m | | \$m | \$m | | \$m | \$m | | \$m | \$m |
| TTV | 4,958.3 | 4,161.9 | 19% | 1,155.9 | 962.3 | 20% | 1,306.1 | 1,309.9 | (0%) | 1,483.0 | 1,301.1 | 14% | 1,013.3 | 588.6 | 72% | | |
| Revenue | 371.0 | 324.4 | 14% | 108.5 | 91.5 | 19% | 127.0 | 126.7 | 0% | 53.8 | 56.7 | (5%) | 81.7 | 49.2 | 66% | 0.0 | 0.3 |
| Adj. EBITDA | 125.4 | 98.6 | 27% | 44.0 | 36.3 | 21% | 37.9 | 35.9 | 6% | 19.5 | 18.1 | 8% | 34.2 | 18.4 | 86% | (10.2) | (10.1) |
| Adj. EBITDA as % of Revenue | 33.8% | 30.4% | | 40.6% | 39.7% | | 29.8% | 28.3% | | 36.2% | 31.9% | | 41.9% | 37.4% | | | |
| CONSTANT CURRENCY | | | | | | | | | | | | | | | | | |
| TTV | 5,009.6 | 4,161.9 | 20% | 1,156.8 | 962.3 | 20% | 1,342.9 | 1,309.9 | 3% | 1,535.1 | 1,301.1 | 18% | 974.8 | 588.6 | 66% | - | - |
| Revenue | 374.6 | 324.4 | 15% | 108.9 | 91.5 | 19% | 130.5 | 126.7 | 3% | 56.0 | 56.7 | (1%) | 79.2 | 49.2 | 61% | 0.0 | 0.3 |
| Adj. EBITDA | 126.4 | 98.6 | 28% | 44.3 | 36.3 | 22% | 38.9 | 35.9 | 8% | 20.2 | 18.1 | 12% | 33.2 | 18.4 | 80% | (10.2) | (10.1) |
| Adj. EBITDA as % of Revenue | 33.7% | 30.4% | 11% | 40.7% | 39.7% | 3% | 29.8% | 28.3% | 5% | 36.1% | 31.9% | 13% | 41.9% | 37.4% | 12% | | |

* Constant currency reflects June 2017 as previously reported. June 2018 represents local currency converted at FY2017 average foreign currency rates.

Australia and New Zealand ("ANZ")

Revenue rose by 19% to \$108.5 million. The increased revenue has flowed through to the adjusted EBITDA, which rose by 21% to \$44.0 million with an improved margin of 41%, which is up from 40% in the prior comparative period. The region continued to benefit from top line growth from increased market share through new client wins. In addition, productivity also improved with around 80% of all transactions originated online.

North America

Revenue increased only marginally by 0.3% to \$127.0 million. However, the adjusted EBITDA rose by 6% to \$37.9 million and the adjusted EBITDA margin improved from 28% in 2017 to 30%, due to further productivity initiatives.

Client activity was subdued in the first half of FY18, due to uncertainty around US tax and infrastructure initiatives. This impact was offset by new client wins, however, there has been delays on implementation. The region is focusing heavily on technology investment in FY19, with circa \$10 million of capital expenditure. The focus is on client facing technology (SMART, Lightning and Loyalty). The regional activity was also negatively impacted by weather events (floods and fires), which had a negative effect of circa \$2 million on EBITDA. On a constant currency basis, revenue for North America increased by 3% and adjusted EBITDA increased by 8% over the previous comparative period.

Asia

Revenue declined 5% to \$53.8 million for the financial year, however the underlying EBITDA is up 8% on the prior comparative period. The result was impacted by reduced ticket prices which also reduced supplier payment revenue. The EBITDA margin increased from 32% to 36% as the business benefited from productivity gains through enhanced automation. On a constant currency basis, revenue declined 1% and adjusted EBITDA increased by 12% over the previous period. This outcome was considered to be satisfactory in the tough lower ticket prices trading environment.

Directors' Report (continued)

Review of operations (continued)

Review of underlying operations (continued)

Europe

The operation in Europe contributed \$81.7 million in revenue during the year, an increase of 66% on prior year, with inclusion of the Redfern Travel acquisition for the full financial year (FY17: 5 months). The adjusted EBITDA for the Europe business rose by 86% to \$34.2 million and the adjusted EBITDA margin increased from 37% to 42%, benefiting from a large move to CTM's online platforms, automation resulting from the Redfern acquisition and record client wins and retention. On a constant currency basis, revenue increased by 61% and adjusted EBITDA increased by 80% over the previous period.

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;
- Innovating client tools and internal processes to enhance service to clients and improve internal productivity; and
- Staff engagement.

In the 2018 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.

The Group intends to continue to pursue the opportunity for its growth globally through acquisition, as well as pursuing organic growth in each market, underpinned by a focus on client service, supported by the continued investment in new client facing technology and delivery of measurable return on investment (ROI) to its clients.

Material business risks

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

These strategic risks include:

- 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. The global oil price and overall airline capacity particularly impact our business travel.
- 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.
- Information technology: The Group relies on 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.
- 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.

Directors' Report (continued)

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.

The Group acquired 100% of the shares of SCT Travel Group Pty Ltd, trading as Platinum Travel Corporation ("Platinum"), with effect from 1 July 2018. Platinum is a renowned Australian boutique agency that has an excellent reputation for customer service and is well placed in the SME corporate and events segments of the travel industry.

As part of this transaction, an initial consideration of \$5,000,000 was paid through a mixture of cash and Corporate Travel Management Ltd shares. A further deferred consideration payment of up to \$3,500,000 may also be payable upon long term growth.

Due to the timing of the acquisition, CTM has not yet finalised the provisional calculation of the net identifiable assets or purchased goodwill. The financial effects of the transactions have not yet been brought to account at 30 June 2018.

On 11 July 2018, CTM announced the acquisition of Lotus Travel Group Limited (Lotus), effective 2 October 2018. The Group will be acquiring 75.1% of Lotus, with our Asian partners Ever Prestige Investments Limited (EPIL) acquiring the remaining 24.9%. Headquartered in Hong Kong with offices in Greater China, Lotus has been operating for over 60 years and is one of the largest travel companies in Greater China.

An initial consideration of \$51,721,462 (HK\$300,000,000), which represents 100% share of the initial consideration, is payable in cash. Further earn out consideration of up to \$11,206,317 (HK\$65,000,000) is payable based on a multiple of net profit after tax for the year ending December 2018. The Group funded its 75.1% share of the acquisition via a share placement of 1,554,000 fully paid ordinary shares at \$25.75 per share. The shares were issued on 17 July 2018.

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.

Environmental regulation

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

Information on Directors

| Mr Tony Bellas, BEcon, DipEd, MBA, FAICD, FCPA – Independent Non-Executive Director - Chairman | | |
|--|--|---------|
| Experience and expertise | Tony Bellas has more than 30 years' experience in both the government and private sectors. Tony Bellas has previously held positions of Chief Executive Officer of Ergon Energy Ltd, CS Energy Ltd, Seymour Group Pty Ltd, and was previously Queensland's Deputy Under Treasurer. | |
| Listed Company Directorships (including key dates) | ERM Power Limited (since 2009), Shine Corporate Limited (since 2013), NOVONIX Limited (since 2016), intelliHR Limited (since 2016), State Gas Limited (since 2017) and intelliHR Limited (since 2016). Chairman of not-for-profit company: Endeavour Foundation (since 2016). | |
| 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 | 220,836 |

Directors' Report (continued)

Information on Directors (continued)

| Mr Jamie Pherous, BCom, CA – Managing Director | | |
|--|---|------------|
| Experience and expertise | Jamie Pherous founded Corporate Travel Management Ltd (CTM) in Brisbane in 1994. He has built the Group from its headquarters in Brisbane to become the one of the world's largest travel management companies now employing more than 2,300 staff. Prior to establishing CTM, Jamie Pherous was employed by Arthur Andersen, now Ernst & Young, as a Chartered Accountant, specialising in business services and financial consulting in Australia, Papua New Guinea and the United Arab Emirates. Jamie Pherous was also a major shareholder and co-founder of an online hotel booking engine, Quickbeds.com.au, which was sold to The Flight Centre Group in 2003 and is a Director of the Australian Federation of Travel Agents. | |
| Listed Company Directorships (including key dates) | None. | |
| Special responsibilities | Managing Director | |
| Interests in shares and options | Ordinary shares in Corporate Travel Management Limited | 20,485,000 |

| Mr Stephen Lonie, BCom, MBA, FCA, FFin, 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 2011), Retail Food Group Limited (since 2013) and Apollo Tourism and Leisure Ltd (since 2016). | |
| 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 |

| 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) and Ausenco Limited (2008 – 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 |

Directors' Report (continued)

Information on Directors (continued)

| Laura Ruffles – MBA, GAICD, Executive Director, CEO | | |
|---|---|---------|
| Experience and expertise | <p>Laura Ruffles is CTM's Chief Executive 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.</p> <p>Prior to joining Corporate Travel Management, Laura was a Director at American Express, where she was responsible for managing the small and medium enterprises business function. She is also an Alternate Director of the Australia Federation of Travel Agents.</p> | |
| Listed Company Directorships (including key dates) | None. | |
| Special responsibilities | Executive Director | |
| Interests in shares and options | Ordinary shares in Corporate Travel Management Limited | 118,124 |
| | Share appreciation rights over ordinary shares in Corporate Travel Management Limited | 450,000 |

| Admiral Robert J. Natter, US Navy (Ret.) – Independent Non-Executive Director | | |
|---|--|---------|
| Experience and expertise | <p>Robert Natter retired from active military service a decade ago and now has more than 10 years of experience in both the government and private sectors in the North American market.</p> <p>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.</p> <p>Until May of this year, Robert Natter served as Chairman of the U.S. Naval Academy Alumni Association, and 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).</p> <p>He currently serves on the Board of Allied Universal (a privately held US based security company with over 160,000 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.</p> | |
| 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 | 107,200 |

Directors' Report (continued)

Company secretaries

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

Steve Fleming, BBus (Accounting), CA

Steve Fleming is CTM's Global Chief Financial Officer and is responsible for the finance function, treasury management, key stakeholder liaison and strategic planning, in conjunction with the Board and the Managing Director.

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.

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.

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 2018, 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 Tony Bellas | 6 | 6 | 5 | 5 | 3 | 3 | 6 | 6 | 2 | 2 |
| Mr Stephen Lonie | 6 | 6 | 5 | 5 | 3 | 3 | 6 | 6 | 2 | 2 |
| Mr Greg Moynihan | 6 | 6 | 5 | 5 | 3 | 3 | 6 | 6 | 2 | 2 |
| Mr Jamie Pherous | 6 | 6 | * | * | * | * | * | * | * | * |
| Admiral Robert J. Natter | 6 | 6 | * | * | * | * | 6 | 6 | 2 | 2 |
| Ms Laura Ruffles | 5 | 6 | * | * | * | * | * | * | * | * |

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.

Directors' Report (continued)

Remuneration report

The Directors are pleased to present Corporate Travel Management Limited's 2018 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.

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 |
|---|---|
| Remuneration framework | |
| 1. What is the objective of the Group's executive reward framework? | <p>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 executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for the delivery of executive rewards.</p> <p>The Board ensures that the approach to executive reward satisfies the following key criteria for good reward governance practices:</p> <ul style="list-style-type: none"> • Competitiveness and reasonableness; • Alignment to the interests of shareholders; • Performance linkage and alignment of executive compensation; • Transparency; and • Capital management. |
| 2. What are the key elements of the remuneration framework? | <p>The framework is based on the following key elements:</p> <ul style="list-style-type: none"> • Alignment to shareholders' interests, which: <ul style="list-style-type: none"> o Has economic profit as a core component of plan design; o 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 o Attracts and retains high calibre executives. • Alignment to program participants' interests, which: <ul style="list-style-type: none"> o Rewards capability and expertise; o Reflects competitive reward for contribution to growth in shareholder wealth; o Provides a clear structure for earning rewards; and o Provides recognition for individual and team contributions. |

Directors' Report (continued)

Remuneration report (continued)

1. CTM's remuneration framework (continued)

| Key questions | CTM's approach | Further info |
|---|--|--------------|
| 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 in 2018 | | |
| 5. How is CTM's performance reflected in this year's remuneration outcomes? | <p>CTM's remuneration outcomes are strongly linked to delivery of return on investment to shareholders over the short and long term.</p> <p>Short term: CTM has delivered strong performance in 2018 in terms of EBITDA and other financial targets, as well as non-financial strategic targets, which has resulted in corresponding payout of STI within the range of 50-89% for Executive KMP.</p> <p>Long term: The three-year performance period for the FY16 LTI completed on 30 June 2018. Based on strong growth in earnings per share (EPS), the performance conditions pertaining to the FY16 share appreciation rights have been achieved.</p> <p>CTM's Board is committed to ensuring executives' remuneration links to return on investment for shareholders and, therefore, will continue to use EPS growth as the primary performance metric for the FY19 LTI award.</p> | 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 FY18? | There have been no significant changes to the approach to remuneration in FY18. | |
| 8. Are any changes planned for FY19? | There are no significant changes planned for FY19. 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. | |

Directors' Report (continued)

Remuneration report (continued)

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).

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

| Key elements of remuneration | |
|---|---|
| <p>Fixed Pay</p> <p>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.</p> <p>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.</p> <p>There is no guaranteed base remuneration increase included in any executives' contracts.</p> <p>In Australia, superannuation contributions are paid in accordance with relevant Government legislation, to employee nominated defined contribution superannuation funds.</p> <p>STI</p> <p>Based on a pre-determined profit targets set annually by the Remuneration Committee, a short-term incentive ("STI") pool is available to 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.</p> <p>Executives have a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance.</p> | <p>STI (continued)</p> <p>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.</p> <p>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.</p> <p>Additional detail on the STI scheme is included in <i>Section 4: Details of Executive KMP remuneration.</i></p> <p>LTI</p> <p>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.</p> <p>Under the Plan, participants are granted rights only 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.</p> <p>Participation in the Plan is at the Board's absolute discretion and no individual has a contractual right to participate in the Plan.</p> <p>Additional detail on the LTI scheme is included in <i>Section 4: Details of Executive KMP remuneration.</i></p> |

The combination of these components comprises an executive's total remuneration. The Group intends to continue to review incentive plans during the year ending 30 June 2019, to ensure continued alignment with the Group's financial and strategic objectives.

Directors' Report (continued)

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 |
|---|---|
| <p>Non-Executive Directors</p> <p>Mr Tony Bellas.</p> <p>Mr Stephen Lonie.</p> <p>Mr Greg Moynihan.</p> <p>Admiral Robert J. Natter.</p> | <p>Mr Steve Fleming - Global CFO.</p> <p>Mr Larry Lo - CEO - Asia.</p> <p>Mr Chris Thelen - CEO - North America.</p> <p>Ms Debbie Carling - CEO - Europe.</p> |
| <p>Executive Directors</p> <p>Mr Jamie Pherous.</p> <p>Ms Laura Ruffles.</p> | |

Greg McCarthy was appointed CEO - Australia and New Zealand effective 1 July 2018 and will be a KMP for the 2019 financial year.

4. Details of Executive KMP remuneration

Remuneration outcomes are disclosed in accordance with Australian accounting standards.

| Name | Year | Fixed remuneration | | | | Variable remuneration | | Total \$ | Performance Related % |
|--|-------------|-------------------------|-----------------------|-----------------|--------------------|-------------------------|-------------------------|------------------|-----------------------|
| | | Cash salary and fees \$ | Non-cash benefits* \$ | Leave# \$ | Super-annuation \$ | Short-term Incentive \$ | Long-term incentive^ \$ | | |
| Executive Directors | | | | | | | | | |
| Jamie Pherous | 2018 | 460,319 | 8,904 | 3,203 | 62,730 | 200,000 | - | 735,156 | 27% |
| | 2017 | 448,221 | 9,776 | (67,634) | 63,956 | 225,000 | - | 679,319 | 33% |
| Laura Ruffles | 2018 | 588,219 | 10,954 | 29,919 | 106,516 | 533,000 | 274,855 | 1,543,463 | 52% |
| | 2017 | 538,462 | 11,032 | (7,182) | 79,654 | 360,000 | 185,623 | 1,167,589 | 47% |
| Other key management personnel of the Group | | | | | | | | | |
| Steve Fleming | 2018 | 486,417 | - | - | 45,299 | 173,392 | 134,391 | 839,499 | 37% |
| | 2017 | 410,024 | 4,723 | (2,227) | 31,464 | 167,926 | 107,495 | 719,405 | 38% |
| Larry Lo | 2018 | 501,051 | - | (9,447) | 2,963 | 184,361 | 134,391 | 813,319 | 39% |
| | 2017 | 501,629 | - | (5,497) | 3,071 | 143,323 | 107,477 | 750,003 | 33% |
| Chris Thelen | 2018 | 579,524 | - | (8,916) | - | 128,783 | 102,909 | 802,300 | 29% |
| | 2017 | 625,775 | - | 30,416 | - | 211,949 | 40,592 | 908,732 | 28% |
| Debbie Carling | 2018 | 292,391 | - | (1,500) | 3,641 | 138,714 | 119,699 | 552,945 | 47% |
| | 2017 | 251,889 | - | 5,560 | 2,519 | 83,963 | 57,336 | 401,267 | 35% |
| Total Executive KMP | 2018 | 2,907,921 | 19,858 | 13,259 | 221,149 | 1,358,250 | 766,245 | 5,286,682 | |
| | 2017 | 2,776,000 | 25,531 | (46,564) | 180,664 | 1,192,161 | 498,523 | 4,626,315 | |

* Non-cash benefits represents the cost to the Group of providing parking.

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.

^ Long-term incentive represents amounts expensed during the year relating to share appreciation rights granted to date and not yet vested.

Directors' Report (continued)

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 2018, 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 EBITDA target set by the Remuneration Committee, a short-term incentive ("STI") pool is available to executives and other eligible participants. 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 2018 year was approximately 47% (2017: 42%) 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 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------|--------|--------|--------|--------|
| Profit for the year attributable to owners of Corporate Travel Management Ltd (\$'000) | 76,712 | 54,556 | 42,134 | 26,367 | 15,845 |
| Basic earnings per share (cents) | 72.4 | 53.5 | 43.2 | 28.1 | 19.0 |
| Dividend payments (\$'000) | 34,964 | 27,554 | 18,539 | 12,609 | 9,129 |
| Dividend payout ratio (%) | 45.6% | 50.5% | 44.0% | 47.8% | 57.6% |
| Increase / (decrease) in share price % | 19.0% | 63.9% | 35.8% | 60.6% | 56.6% |
| Total KMP STI as a percentage of profit / (loss) for the year (%) | 1.9% | 2.2% | 2.1% | 2.7% | 0.9% |

For each short term incentive included in the table on page 17, the percentage split of the available bonus awarded and forfeited is disclosed in the following table.

| Name | 2018 | | 2017 | |
|----------------|-----------|-------------|-----------|-------------|
| | Awarded % | Forfeited % | Awarded % | Forfeited % |
| Jamie Pherous | 80% | 20% | 90% | 10% |
| Laura Ruffles | 89% | 11% | 90% | 10% |
| Steve Fleming | 80% | 20% | 80% | 20% |
| Larry Lo | 80% | 20% | 60% | 40% |
| Chris Thelen | 50% | 50% | 80% | 20% |
| Debbie Carling | 80% | 20% | 100% | - |

Directors' Report (continued)

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 FY18 grant has a performance period commencing 1 July 2017 and ending 30 June 2020. |
| 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 FY18 will vest on a scaled basis as follows:

| Minimum EPS growth from 1 July 2017 to 30 June 2020 | 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 <i>Corporations Act 2001</i> , participants are prohibited from hedging their unvested performance rights. |

Directors' Report (continued)

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 2018 allocation and vested under the 2015 allocation, as well as details of SARs granted under prior year awards that have not yet vested as at 30 June 2018.

| | 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 | 2018 | 2021 | 150,000 | \$2.49 | - | - | - | 374,244 |
| | 2017 | 2020 | 200,000 | \$1.62 | - | - | - | 324,734 |
| | 2016 | 2019 | 100,000 | \$1.26 | - | - | - | 125,699 |
| | 2015 | 2018 | 100,000 | \$1.06 | 100,000 | 100% | - | - |
| Steve Fleming | 2018 | 2021 | 75,000 | \$2.49 | - | - | - | 187,122 |
| | 2017 | 2020 | 75,000 | \$1.62 | - | - | - | 121,775 |
| | 2016 | 2019 | 75,000 | \$1.26 | - | - | - | 94,274 |
| | 2015 | 2018 | 100,000 | \$1.06 | 100,000 | 100% | - | - |
| Larry Lo | 2018 | 2021 | 75,000 | \$2.49 | - | - | - | 187,122 |
| | 2017 | 2020 | 75,000 | \$1.62 | - | - | - | 121,775 |
| | 2016 | 2019 | 75,000 | \$1.26 | - | - | - | 94,274 |
| | 2015 | 2018 | 100,000 | \$1.06 | 100,000 | 100% | - | - |
| Chris Thelen | 2018 | 2021 | 75,000 | \$2.49 | - | - | - | 187,122 |
| | 2017 | 2020 | 75,000 | \$1.62 | - | - | - | 121,775 |
| | 2016 | 2019 | - | - | - | - | - | - |
| Debbie Carling | 2018 | 2021 | 75,000 | \$2.49 | - | - | - | 187,122 |
| | 2017 | 2020 | 75,000 | \$1.62 | - | - | - | 121,775 |
| | 2016 | 2019 | 40,000 | \$1.26 | - | - | - | 50,280 |

5. Contractual arrangements for Executive KMP

Each Executive KMP member, including the Managing Director, has a formal contract, known as a service agreement. These service agreements are of a continuing nature and have no fixed term of service. There were no changes to the service agreements for Executive KMP in FY18.

The Group requires Executive KMP to provide six months' written notice of their intention to leave CTM. 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.

Directors' Report (continued)

Remuneration report (continued)

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 (2017: \$700,000).

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 |
|--|------|----------------|------------------|----------------|
| Tony Bellas | 2018 | 134,904 | 12,816 | 147,720 |
| | 2017 | 120,000 | 11,400 | 131,400 |
| Stephen Lonie | 2018 | 107,342 | 10,198 | 117,540 |
| | 2017 | 100,000 | 9,500 | 109,500 |
| Greg Moynihan | 2018 | 107,342 | 10,198 | 117,540 |
| | 2017 | 100,000 | 9,500 | 109,500 |
| Admiral Robert J. Natter | 2018 | 131,797 | - | 131,797 |
| | 2017 | 126,688 | - | 126,688 |
| Total Non-Executive Director Remuneration | 2018 | 481,385 | 33,212 | 514,597 |
| | 2017 | 446,688 | 30,400 | 477,088 |

* Superannuation contributions required under the Australian superannuation guarantee legislation are made and are deducted from the Directors' overall fee entitlements.

Directors' Report (continued)

Remuneration report (continued)

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 | Balance at 30 June 2017 | Purchased | Disposed | Received on vesting of rights | Other changes during the year | Balance at 30 June 2018 |
|--|-------------------------|-----------|-------------|-------------------------------|-------------------------------|-------------------------|
| Non-Executive Directors | | | | | | |
| Tony Bellas | 243,836 | - | (23,000) | - | - | 220,836 |
| Stephen Lonie | 254,312 | - | - | - | - | 254,312 |
| Greg Moynihan | 254,312 | - | - | - | - | 254,312 |
| Admiral Robert J. Natter | 143,200 | 10,000 | (46,000) | - | - | 107,200 |
| Executive Directors | | | | | | |
| Jamie Pherous | 21,650,000 | - | (1,165,000) | - | - | 20,485,000 |
| Laura Ruffles | 98,691 | - | (50,000) | 69,433 | - | 118,124 |
| Other key management personnel of the Group | | | | | | |
| Steve Fleming | 48,145 | - | (92,447) | 69,433 | - | 25,131 |
| Larry Lo | 25,000 | - | - | 69,433 | - | 94,433 |
| Debbie Carling | 11,307 | - | - | - | 11,537 | 22,844 |
| Chris Thelen | 905,547 | - | (905,000) | - | 196,552 | 197,099 |

* Equity portion of deferred consideration payment in relation to the Chambers Travel acquisition.

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 (2017: nil).

Other transactions and balances with key management personnel

Deferred consideration balance of \$8.7 million was paid to Chris Thelen and a deferred consideration balance of \$0.5 million was paid to Debbie Carling, in relation to the Chambers Travel acquisition. The remaining balance of \$13.6 million is payable to Chris Thelen within 12 months and is included in the Acquisition payable balance in note 11.

During the year ended 30 June 2018, Jamie Pherous, an executive director, entered into a transaction with the company under normal commercial terms for the provision of event travel management. A balance of \$377,955 is receivable as at 30 June 2018 which has been subsequently paid after period end.

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.

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.

Directors' Report (continued)

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 28.

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.

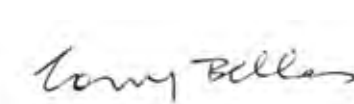
Auditor's independence declaration

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 Tony Bellas
Chairman



Mr Jamie Pherous
Managing Director

Brisbane, 22 August, 2018



Auditor's Independence Declaration

As lead auditor for the audit of Corporate Travel Management Limited for the year ended 30 June 2018, 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 Shewan
Partner
PricewaterhouseCoopers

Brisbane
22 August 2018

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

Liability limited by a scheme approved under Professional Standards Legislation.

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 2018 corporate governance statement is dated as at 30 June 2018 and reflects the corporate governance practices in place throughout the 2018 financial year. The 2018 corporate governance statement was approved by the Board on 22 August 2018. 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 www.travelctm.com/resources/investor-relations/corporate-governance/.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

| | Note | 2018 \$'000 | 2017 \$'000 |
|--|-------|------------------|------------------|
| Revenue | 2 | 371,030 | 324,391 |
| Other income | | 1,206 | 1,483 |
| Total revenue and other income | | 372,236 | 325,874 |
| Operating expenses | | | |
| Employee benefits | | (186,214) | (175,175) |
| Occupancy | | (12,429) | (12,657) |
| Depreciation and amortisation | 6 | (17,833) | (16,157) |
| Information technology and telecommunications | | (31,281) | (20,239) |
| Travel and entertainment | | (4,554) | (5,181) |
| Administrative and general | | (13,029) | (15,396) |
| Total operating expenses | | (265,340) | (244,805) |
| Finance costs | 6 | (3,226) | (3,443) |
| Profit before income tax | | 103,670 | 77,626 |
| Income tax expense | 5 | (23,088) | (19,788) |
| Profit for the year | | 80,582 | 57,838 |
| Profit attributable to: | | | |
| Owners of Corporate Travel Management Limited | | 76,712 | 54,556 |
| Non-controlling interests | 24(b) | 3,870 | 3,282 |
| | | 80,582 | 57,838 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | 16,266 | (8,639) |
| Changes in the fair value of cash flow hedges | | 87 | 360 |
| Other comprehensive income for the period, net of tax | | 16,353 | (8,279) |
| Total comprehensive income for the year | | 96,935 | 49,559 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of Corporate Travel Management Limited | | 92,359 | 46,130 |
| Non-controlling interests | | 4,576 | 3,429 |
| | | 96,935 | 49,559 |
| Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company | | | |
| - Basic (cents per share) | 3 | 72.4 | 53.5 |
| - Diluted (cents per share) | 3 | 71.4 | 52.5 |

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 2018

| | Note | 2018 \$'000 | 2017 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 84,297 | 79,217 |
| Trade and other receivables | 10 | 252,237 | 202,435 |
| Other current assets | 20 | 4,203 | 4,462 |
| Total current assets | | 340,737 | 286,114 |
| Non-current assets | | | |
| Plant and equipment | 21 | 6,118 | 5,262 |
| Intangible assets | 8 | 451,597 | 439,797 |
| Deferred tax assets | 5 | 6,389 | 8,982 |
| Total non-current assets | | 464,104 | 454,041 |
| TOTAL ASSETS | | 804,841 | 740,155 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 253,621 | 233,049 |
| Borrowings | 14 | 14,677 | 18,122 |
| Income tax payable | | 7,310 | 8,238 |
| Provisions | 12 | 15,786 | 14,512 |
| Total current liabilities | | 291,394 | 273,921 |
| Non-current liabilities | | | |
| Trade and other payables | 11 | 2,872 | 24,868 |
| Borrowings | 14 | 29,301 | 27,301 |
| Provisions | 12 | 1,833 | 2,653 |
| Deferred tax liabilities | 5 | 7,949 | 10,008 |
| Total non-current liabilities | | 41,955 | 64,830 |
| TOTAL LIABILITIES | | 333,349 | 338,751 |
| NET ASSETS | | 471,492 | 401,404 |
| EQUITY | | | |
| Contributed equity | 13(a) | 301,747 | 281,847 |
| Reserves | 13(b) | 19,369 | 12,999 |
| Retained earnings | 13(c) | 133,218 | 91,470 |
| Capital and reserves attributed to owners of the company | | 454,334 | 386,316 |
| Non-controlling interests – equity | 24(b) | 17,158 | 15,088 |
| TOTAL EQUITY | | 471,492 | 401,404 |

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

| Note | Contributed Equity \$'000 | Retained Earnings \$'000 | Other Reserves \$'000 | Total \$'000 | Non-Controlling Interests \$'000 | Total Equity \$'000 |
|--|------------------------------|-----------------------------|--------------------------|-----------------|-------------------------------------|------------------------|
| Balance at 30 June 2016 | 175,231 | 63,802 | 19,645 | 258,678 | 14,765 | 273,443 |
| Profit for the period as reported in 2017 financial statements | - | 54,556 | - | 54,556 | 3,282 | 57,838 |
| Other comprehensive income (net of tax) | - | - | (8,426) | (8,426) | 147 | (8,279) |
| Total comprehensive income for the year | - | 54,556 | (8,426) | 46,130 | 3,429 | 49,559 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Shares issued | 13(a) | 106,616 | - | 106,616 | - | 106,616 |
| Dividends paid | 4 | - | (27,554) | (27,554) | (2,960) | (30,514) |
| Non-controlling interests disposal/acquisition of subsidiary | | - | 666 | (520) | 146 | (146) |
| Share based payments | | - | - | 2,300 | 2,300 | - |
| | | 106,616 | (26,888) | 1,780 | 81,508 | (3,106) |
| Balance at 30 June 2017 | 281,847 | 91,470 | 12,999 | 386,316 | 15,088 | 401,404 |
| Profit for the period as reported in 2018 financial statements | - | 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 | 13(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) | - |
| | | 19,900 | (34,964) | (9,277) | (24,341) | (2,507) |
| Balance at 30 June 2018 | 301,747 | 133,218 | 19,369 | 454,334 | 17,158 | 471,492 |

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 2018

| Note | 2018 \$'000 | 2017 \$'000 |
|--|-----------------|------------------|
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 337,468 | 334,806 |
| Payments to suppliers and employees (inclusive of GST) | (217,621) | (242,836) |
| Transaction costs relating to acquisition of subsidiary | (151) | (771) |
| Interest received | 131 | 197 |
| Finance costs | (2,584) | (2,160) |
| Income tax paid | (22,851) | (19,958) |
| Net cash flows from operating activities | 94,392 | 69,278 |
| Cash flows from investing activities | | |
| Payment for plant and equipment | 21 | (2,676) |
| Payment for intangibles | 8 | (11,057) |
| Proceeds from sale of plant and equipment | 16 | 1 |
| Proceeds from sale of financial assets | - | 12 |
| Purchase of controlled entities, contingent consideration | (33,476) | (34,308) |
| Payments relating to purchase of controlled entities, net of cash acquired | (3,683) | (69,418) |
| Proceeds from sale of controlled entities | - | 394 |
| Net cash flows from investing activities | (50,876) | (117,269) |
| Cash flows from financing activities | | |
| Proceeds from issue of new shares | 13 | - |
| Share issue transaction costs | (38) | (2,003) |
| Proceeds from borrowings | 114,917 | 57,134 |
| Repayments of borrowings | (117,995) | (48,039) |
| Dividends paid to company's shareholders | 4 | (34,964) |
| Dividends paid to non-controlling interests in subsidiaries | (2,507) | (2,960) |
| Net cash flows from financing activities | (40,587) | 48,759 |
| Net increase / (decrease) in cash and cash equivalents | 2,929 | 768 |
| Effects of exchange rate changes on cash and cash equivalents | 2,151 | (2,729) |
| Cash and cash equivalents at beginning of year | 79,217 | 81,178 |
| Cash and cash equivalents at end of year | 84,297 | 79,217 |

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

Notes to the Consolidated Financial Statements.

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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:

- Impairment of goodwill
 - o Refer note 15 – Impairment testing of goodwill.
- Allowance for doubtful debts
 - o Refer note 10 – Trade and other receivables.
- Override revenue
 - o Refer note 2 – Revenue.
- Software developed or acquired not as part of a business combination
 - o Refer note 8 – Intangible assets.

Performance

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

1. Segment reporting

a) Description of segments

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

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

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

b) Segment information provided to the Chief Operating Decision Makers

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

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2018 is as follows:

| | Travel services | Travel services | Travel services | Travel services | | |
|--|----------------------------------|----------------------|-----------------|-----------------|-----------------|----------------|
| 2018 | Australia and New Zealand \$'000 | North America \$'000 | Asia \$'000 | Europe \$'000 | Other* \$'000 | Total \$'000 |
| Total revenue from external parties | 108,519 | 127,003 | 53,816 | 81,692 | - | 371,030 |
| Adjusted EBITDA | 44,038 | 37,888 | 19,541 | 34,232 | (10,249) | 125,450 |
| Interest revenue | | | | | | 131 |
| Interest expense | | | | | | 3,226 |
| Depreciation | | | | | | 2,045 |
| Amortisation | | | | | | 15,788 |
| Income tax expense | | | | | | 23,088 |
| 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 includes the Group support service, created to support the operating segments and growth of the global business.

1. Segment reporting (continued)

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

| | Travel services | Travel services | Travel services | Travel services | | |
|--|----------------------------------|----------------------|-----------------|-----------------|-----------------|----------------|
| 2017 | Australia and New Zealand \$'000 | North America \$'000 | Asia \$'000 | Europe \$'000 | Other* \$'000 | Total \$'000 |
| Total revenue from external parties | 91,502 | 126,647 | 56,700 | 49,238 | 304 | 324,391 |
| Adjusted EBITDA | 36,328 | 35,883 | 18,064 | 18,364 | (10,024) | 98,615 |
| Interest revenue | | | | | | 197 |
| Interest expense | | | | | | 3,443 |
| Depreciation | | | | | | 1,883 |
| Amortisation | | | | | | 14,274 |
| Income tax expense | | | | | | 19,788 |
| Total segment assets | 110,265 | 248,171 | 144,012 | 226,294 | 11,413 | 740,155 |
| Total assets include: | | | | | | |
| Non-current assets | | | | | | |
| - Plant and equipment | 2,705 | 760 | 455 | 1,342 | - | 5,262 |
| - Intangibles | 55,745 | 194,482 | 37,947 | 148,834 | 4,014 | 441,022 |
| Total segment liabilities | 44,289 | 61,575 | 77,319 | 65,534 | 90,034 | 338,751 |

c) Other segment information

i) Adjusted EBITDA

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

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|---------------|
| Adjusted EBITDA | 125,450 | 98,615 |
| Interest revenue | 131 | 197 |
| Finance costs | (3,226) | (3,443) |
| Depreciation | (2,045) | (1,883) |
| Amortisation | (15,788) | (14,274) |
| One off items | | |
| Gain on sale of subsidiary | - | 912 |
| Acquisition / non-recurring costs | (852) | (2,498) |
| Profit before income tax from continuing operations | 103,670 | 77,626 |

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 steering committee that makes strategic decisions.

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

2. Revenue

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Revenue from the sale of travel services | 369,086 | 323,190 |
| Revenue from other sources | | |
| Rental income | 93 | 133 |
| Interest | 131 | 197 |
| Other revenue | 1,720 | 871 |
| | 1,944 | 1,201 |
| Total revenue | 371,030 | 324,391 |

Accounting policy

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria set out are met. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

- **Revenue from sale of travel services**

Revenue from sale of travel services represents net revenue earned via commissions and fees, and also includes any commission payable by suppliers after completion of the transaction. Commission and fees from the sale of travel services are recognised when a travel booking is received and travel documents are issued. Commission payable by suppliers includes PDC's, which is recognised upon receipt or confirmed commissionable by supplier, the point at which it can be reliably measured, and it is probable that future economic benefits will flow to the entity.

Revenue relating to volume incentives (override revenue) are recognised at the amount receivable when annual targets are likely to be achieved.

- **Rental income**

Rental income is recognised when the right to receive revenue is established.

- **Interest revenue**

Interest income is recognised using the effective interest method.

- **Dividends**

Revenue is recognised when the Group's right to receive the payment is established.

- **Other revenue**

Other revenue is recognised when the right to receive the revenue is established.

Critical estimates, assumptions and judgements

- **Override revenue**

In addition to commission payments, the Group is eligible for override payments from its suppliers. These overrides are negotiated with individual suppliers and will typically include a combination of guaranteed payments and volume incentives. The volume incentives are recognised at the amount receivable when annual targets are likely to be achieved. The override revenue accrual process is inherently judgemental and is impacted by factors which are not completely under Group's control. These factors include:

- o **Year-end differences**

As supplier contract periods do not always correspond to the Group's financial year, judgements and estimation techniques are required to determine anticipated future flown revenues over the remaining contract year and the associated override rates applicable to these forecast levels.

- o **Timing**

Where contracts have not been finalised before the start of the contract period, override and commission earnings may have to be estimated until agreement has been reached.

2. Revenue (continued)

Critical estimates, assumptions and judgements (continued)

- o **Re-negotiations**

Periodic re-negotiation of terms and contractual arrangements with suppliers may result in additional volume incentives, rebates or other bonuses being received. These payments may not be specified in existing contracts.

3. Earnings per share

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

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Net profit attributable to ordinary equity holders of Corporate Travel Management Limited | 76,712 | 54,556 |

| | 2018 Shares | 2017 Shares |
|--|----------------|----------------|
| Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share | 105,941,226 | 101,929,958 |
| Adjustments for calculation of diluted earnings per share: | | |
| Share appreciation rights (i) | 1,247,408 | 1,489,362 |
| Deferred shares on acquisitions (ii) | 249,644 | 567,661 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 107,438,278 | 103,986,981 |

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 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 23.

ii) Deferred shares

Deferred shares on acquisitions relates to shares offered as part of the contingent consideration payable component of a business combination. They have been included in the determination of diluted earnings per share 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 are 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 are 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 | 2018 \$'000 | 2017 \$'000 |
|---|---------------------------|---------------------------|
| Final franked dividend paid for the year ended 30 June 2017 of 18.0 cents (2016: 15.0 cents) per fully paid share | 19,048 | 14,928 |
| Interim franked dividend for the year ended 30 June 2018 of 15.0 cents (2017: 12.0 cents) per fully paid share | 15,916 | 12,626 |
| | 34,964 | 27,554 |
| Approved by the Board of Directors on 22 August 2018 (not recognised as a liability as at 30 June 2018) | | |
| Final franked dividend for the year ended 30 June 2018 of 21.0 cents (2017: 18.0 cents) per fully paid share | 22,698[^] | 18,940[^] |

[^] 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 2018 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 2019.

| Franking credit balance | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Franking credits available for subsequent reporting periods based on a tax rate of 30% (2017: 30%) | 4,993 | 6,881 |

The above 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 | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Current income tax | | |
| Current tax on profits for the year | 25,420 | 19,633 |
| Adjustments for current tax of prior periods | (1,012) | (619) |
| Deferred income tax | | |
| (Increase) decrease in deferred tax assets | 601 | 726 |
| Increase (decrease) in deferred tax liabilities | (1,921) | 48 |
| Income tax expense | 23,088 | 19,788 |
| Numerical reconciliation of income tax expense to prima facie tax payable | | |
| Accounting profit before income tax | 103,670 | 77,626 |
| Tax at the Australian tax rate of 30% (2016: 30%) | 31,101 | 23,288 |
| Tax effect of amounts which are not deductible/(assessable) in calculating taxable income: | | |
| Non-deductible amounts | 823 | 447 |
| Other amounts | (36) | (481) |
| | 787 | (34) |
| Recognition of temporary differences previously not brought to account | (58) | 344 |
| Difference in overseas tax rates | (5,150) | (3,192) |
| Changes in tax rates | (2,520) | - |
| Adjustments for current tax of prior periods | (1,012) | (619) |
| Research and development tax credit | (55) | (45) |
| Unrecognised tax losses | (5) | 46 |
| | (8,800) | (3,466) |
| Income tax expense | 23,088 | 19,788 |

| Deferred income tax | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Deferred tax assets | | |
| The balance comprises temporary differences attributable to: | | |
| Provisions | 4,815 | 6,087 |
| Employee benefits | 6,638 | 6,779 |
| Other | 30 | 30 |
| | 11,483 | 12,896 |
| Set off against deferred tax liabilities | (5,094) | (3,914) |
| Net deferred tax assets | 6,389 | 8,982 |
| Deferred tax liabilities | | |
| The balance comprises temporary differences attributable to: | | |
| Depreciation / amortisation | 8,708 | 10,409 |
| Accrued income | 2,383 | 2,581 |
| Other | 1,952 | 932 |
| | 13,043 | 13,922 |
| Set off against deferred tax assets | (5,094) | (3,914) |
| Net deferred tax liabilities | 7,949 | 10,008 |

5. Income tax expense (continued)

| Deferred tax assets | At 1 July \$'000 | Transfer from income tax receivable | (Charged)/ credited in year via P&L \$'000 | (Charged)/ credited in year via equity \$'000 | Acquisition of subsidiaries \$'000 | Sale of an entity \$'000 | Change in FX rates \$'000 | At 30 June \$'000 |
|---------------------|------------------|-------------------------------------|--|---|------------------------------------|--------------------------|---------------------------|-------------------|
| 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 |
| 2017 | | | | | | | | |
| Provisions | 7,348 | - | (1,130) | (7) | 20 | (32) | (112) | 6,087 |
| Employee benefits | 2,244 | - | 404 | 4,131 | - | - | - | 6,779 |
| Other | 163 | - | - | - | - | (132) | (1) | 30 |
| | 9,755 | - | (726) | 4,124 | 20 | (164) | (113) | 12,896 |

| Deferred tax liabilities | At 1 July \$'000 | Transfer from income tax receivable | (Charged)/ credited in year via P&L \$'000 | (Charged)/ credited in year via equity \$'000 | Acquisition of subsidiaries \$'000 | Sale of an entity \$'000 | Change in FX rates \$'000 | At 30 June \$'000 |
|-----------------------------|------------------|-------------------------------------|--|---|------------------------------------|--------------------------|---------------------------|-------------------|
| 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 |
| 2017 | | | | | | | | |
| Depreciation / amortisation | 8,297 | - | (1,238) | - | 3,566 | - | (216) | 10,409 |
| Accrued income | 1,345 | - | 1,286 | - | - | - | (50) | 2,581 |
| Other | 1,393 | - | - | (461) | - | - | - | 932 |
| | 11,035 | - | 48 | (461) | 3,566 | - | (266) | 13,922 |

On 22 December 2017, tax reform legislation was enacted in the US reducing the corporate tax rate from 35% to 21% effective 1 January 2018. As a result, all US deferred tax balances have been remeasured using the new corporate tax rate. The impact of the change in tax rate has been recognised in tax expense in profit or loss.

5. Income tax expense (continued)

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.

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: | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| <i>Depreciation and amortisation</i> | | |
| Depreciation of non-current assets – plant and equipment note 21 | 2,045 | 1,883 |
| Amortisation of client contracts and relationships – intangibles note 8 | 10,186 | 11,100 |
| Amortisation of software – intangibles note 8 | 5,174 | 2,949 |
| Amortisation of other intangible assets – intangibles note 8 | 428 | 225 |
| | 17,833 | 16,157 |
| <i>Finance costs</i> | | |
| Bank loans | 2,425 | 1,542 |
| Other interest | 801 | 1,901 |
| | 3,226 | 3,443 |
| <i>Other expense disclosures</i> | | |
| Defined contribution superannuation expense | 6,303 | 5,730 |
| Rental expense relating to operating leases | 8,828 | 9,536 |

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 | Method | Internally generated / acquired |
|------------------------------------|---|---------------------------------|
| Client contracts and relationships | Diminishing value - ranging between three and seventeen years | Acquired |
| Software | Straight line - ranging between three and five years | Acquired/ Internally generated |
| Other intangible assets | Straight line - ten years | 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.

Group Structure

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

Prior period business combinations

On 1 July 2016, the Group acquired 100% of the shares of Travizon, Inc., All Performance Associates, Inc., and Business Travel, Inc., trading as Travizon Travel.

On 1 February 2017, the Group acquired 100% of the shares of Arizonaco Limited and Portall Travel Limited, trading as Redfern Travel, and on the same date the Group acquired 100% of the shares of Andrew Jones Travel Pty Ltd, trading as Andrew Jones Travel.

The accounting for the business combinations for all three prior period acquisitions has been finalised as at 30 June 2018 and no material adjustments have been made during the period to the opening balance sheet of Travizon Travel and Andrew Jones Travel. The Group has amended the accounts receivable balance for Redfern Travel by \$1.2 million to align the trade receivable to the Group policy based on additional information obtained during the adjusting period.

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 either as equity or 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 2017, will be reflected in the Statement of Comprehensive Income.

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 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 |
| Year ended 30 June 2017 | | | | | |
| Cost | 52,970 | 21,664 | 392,347 | 4,513 | 471,494 |
| Accumulated depreciation | (23,559) | (7,447) | (313) | (357) | (31,676) |
| | 29,411 | 14,217 | 392,034 | 4,156 | 439,818 |
| Opening net book amount | 19,448 | 8,391 | 280,107 | 144 | 308,090 |
| Additions | - | 8,318 | - | 4,316 | 12,634 |
| Additions through the acquisition of entities/businesses | 21,542 | 665 | 122,614 | - | 144,821 |
| Disposals through sale of an entity | - | (15) | (367) | - | (382) |
| Amortisation charge | (11,100) | (2,949) | - | (225) | (14,274) |
| Exchange differences | (479) | (193) | (10,341) | (79) | (11,092) |
| Closing net book amount | 29,411 | 14,217 | 392,013 | 4,156 | 439,797 |

Customer contracts

The customer contracts were acquired as part of a business combination (see 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.

Accounting policy**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.

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 to software and systems.

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.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are then written down to their recoverable amount.

Intangible assets are tested for impairment where an indicator of impairment exists, and, in the case of indefinite life intangibles, annually, either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

8. Intangible assets (continued)**Accounting policy (continued)****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.

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 costs capitalised to each project and the useful life for amortisation. There is also judgement involved in assessing how the asset will deliver probable future economic benefit to the Group.

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

| | 2018 \$'000 | 2017 \$'000 |
|--------------------------|----------------|----------------|
| Cash at bank and on hand | 57,019 | 49,192 |
| Client accounts | 27,278 | 30,025 |
| | 84,297 | 79,217 |

Cash at bank earns interest at floating rates based on daily bank deposit rates: 2018: 0.00%-1.95% (2017: 0.00%-1.95%). The client accounts earn interest at floating rates based on daily bank deposit rates: 2018: 0.00%-1.30% (2017: 0.00%-1.30%). The weighted average interest rate for the year was 0.12% (2017: 0.24%).

No bank overdraft facilities were in place at 30 June 2018, refer note 14.

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 | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Profit for the year | 80,582 | 57,838 |
| Adjustments for: | | |
| Depreciation and amortisation | 17,833 | 16,160 |
| Net exchange differences | (92) | 77 |
| Non-cash interest | 678 | 1,274 |
| Non-cash employee benefits expense | 2,168 | 1,366 |
| Non-cash release of earn out payable | - | - |
| Net (gain)/loss on sale of subsidiary | - | (912) |
| Appreciation in value of investments | (750) | - |
| Net gain/(loss) on disposal of non-current assets | (5) | (2) |
| Changes in operating assets and liabilities | | |
| (Increase) in trade and other receivables | (41,341) | (2,433) |
| (Increase) in prepayments | 669 | 928 |
| (Decrease) in deferred tax balances | (999) | 841 |
| Decrease in current tax liability / (receivable) | 1,730 | (1,198) |
| Increase in payables and provisions | 33,919 | (4,661) |
| Net cash flow from operating activities | 94,392 | 69,278 |

Disclosure of financing facilities – refer note 14

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.

| | 2018 \$'000 | 2017 \$'000 |
|--------------------------------------|----------------|----------------|
| Cash and cash equivalents | 84,297 | 79,217 |
| Borrowings (repayable within 1 year) | (14,677) | (18,122) |
| Borrowings (repayable after 1 year) | (29,301) | (27,301) |
| Net cash and cash equivalents | 40,319 | 33,794 |

| | | |
|--------------------------------------|---------------|---------------|
| Cash and cash equivalents | 84,297 | 79,217 |
| Gross debt - variable interest rates | (43,978) | (45,423) |
| Net cash and cash equivalents | 40,319 | 33,794 |

| | Cash/ bank overdraft \$'000 | Borrowings due within 1 year \$'000 | Borrowings due after 1 year \$'000 | Total \$'000 |
|---|-----------------------------------|--|---|-----------------|
| Net cash and cash equivalents as 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 cash and cash equivalents as at 30 June 2018 | 84,297 | (14,677) | (29,301) | 40,319 |

10. Trade and other receivables

| | 2018 \$'000 | 2017 \$'000 |
|------------------------------|----------------|----------------|
| <i>Current</i> | | |
| Trade receivables (i) | 43,149 | 32,000 |
| Client receivables (i) | 202,330 | 158,146 |
| Allowance for doubtful debts | (2,615) | (2,141) |
| | 242,864 | 188,005 |
| Deposits (ii) | 7,587 | 13,125 |
| Other receivables | 1,786 | 1,305 |
| | 252,237 | 202,435 |

(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 – see note disclosure 25(e).

(ii) Deposits relate to advance deposits to suppliers and deposits made on behalf of clients for leisure travel which will occur at a future date. Supplier deposits within the Westminster Travel business pertains to securing access during high sales periods, which is the business practise in Hong Kong.

As of 30 June 2018, trade and client receivables of \$33,905,000 (2017: \$24,605,000) were past due but not impaired. Operating units are following up on these receivables with the relevant debtors and are satisfied that payment will be received in full.

10. Trade and other receivables (continued)

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| <i>The ageing analysis of these trade and client receivables is as follows:</i> | | |
| 0 – 31 days | 24,307 | 16,463 |
| 31 – 60 days | 3,793 | 4,338 |
| 60+ days | 5,805 | 3,804 |
| Balance at 30 June | 33,905 | 24,605 |

Other balances within trade, client and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Detail regarding risk exposure relating to credit, market and interest rate risk have been disclosed in note 16.

Fair value

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

Accounting policy

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.

Critical estimates, assumptions and judgements• **Allowance for doubtful debts**

The Group determines whether client and trade receivables are collectable on an ongoing basis. This assessment requires estimations of the individual recoverability of each debt and, if considered uncollectable, is subject to an impairment provision.

11. Trade and other payables

| | 2018 \$'000 | 2017 \$'000 |
|----------------------------------|----------------|----------------|
| Current | | |
| Trade payables (i) | 12,536 | 13,156 |
| Client payables (i) | 185,122 | 148,703 |
| Other payables and accruals (ii) | 33,458 | 26,247 |
| Acquisition payable (iii) | 22,505 | 44,943 |
| | 253,621 | 233,049 |
| Non-current | | |
| Other payables and accruals | 2,872 | 4,112 |
| Acquisition payable | - | 12,596 |
| Contingent consideration payable | - | 8,160 |
| | 2,872 | 24,868 |

(i) Trade payables and client payables are non-interest bearing and are normally settled on terms ranging from 7 to 30 days.

(ii) Included within other payables and accruals are amounts due to related parties – see related party disclosure note 25(e).

(iii) This balance represents amounts payable relating to business combinations which are no longer contingent on performance hurdles. This balance includes an amount payable to a related party – see disclosure note 25(e).

Fair value

The carrying value of these payables is assumed to approximate 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.

12. Provisions

| Movements in provisions | Employee entitlements \$'000 | Make-good provision \$'000 | Provisions for other liabilities and charges \$'000 | Total \$'000 |
|---|---------------------------------|-------------------------------|--|-----------------|
| 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 |
| 2018 | | | | |
| Current | 4,720 | 37 | 11,029 | 15,786 |
| Non-current | 1,215 | 618 | - | 1,833 |
| | 5,935 | 655 | 11,029 | 17,619 |
| 2017 | | | | |
| Current | 4,263 | 157 | 10,092 | 14,512 |
| Non-current | 1,372 | 481 | 800 | 2,653 |
| | 5,635 | 638 | 10,892 | 17,165 |

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.

12. Provisions (continued)**Accounting policy (continued)***Employee benefits**i) 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.

ii) 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.

iii) 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.

iv) 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.

v) 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*i) 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.

ii) 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 one and a half years.

13. Contributed equity, reserves and retained earnings**a) Contributed equity**

| Ordinary shares | 2018 \$'000 | 2017 \$'000 |
|-----------------------|----------------|----------------|
| Issued and fully paid | 301,747 | 281,847 |
| | 301,747 | 281,847 |

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 2016 | | 98,078,805 | 175,231 |
| 1 July 2016 | Shares issued | Initial consideration for the Travizon Travel business combination. | 1,236,458 | 17,793 |
| 2 September 2016 | Shares issued | Share appreciation rights issue. | 204,216 | 3,198 |
| 24 January 2017 | Shares issued | Capital raising used primarily for the acquisitions of Redfern Travel and Andrew Jones Travel. | 4,744,475 | 71,167 |
| 1 February 2017 | Shares issued | Initial consideration for the Redfern Travel and Andrew Jones Travel business combinations. | 952,795 | 16,369 |
| 30 May 2017 | Shares issued | Employee compensation | 4,500 | 99 |
| | Total shares issued | | 7,142,444 | 108,626 |
| | Less: transaction costs arising on share issue | | | (2,003) |
| | Deferred tax credit recognised directly in equity | | | (7) |
| | At 30 June 2017 | | 105,221,249 | 281,847 |
| | 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 |

13. Contributed equity, reserves and retained earnings (continued)**a) Contributed equity (continued)**

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 14), 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. The Group is not bound by externally imposed capital requirements.

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

| | 2018 \$'000 | 2017 \$'000 |
|----------------------|----------------|----------------|
| Total borrowings | 43,978 | 45,423 |
| Total equity | 471,492 | 401,404 |
| Gearing ratio | 9% | 11% |

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 2016 | 17,331 | 2,314 | 19,645 |
| Currency translation differences – current period | (8,887) | - | (8,887) |
| Deferred tax | 461 | - | 461 |
| Other comprehensive income | (8,426) | - | (8,426) |
| Non-controlling interests disposal/acquisition of subsidiary | (520) | - | (520) |
| Share-based payment expenses | - | 2,300 | 2,300 |
| 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 payment expenses | - | (9,277) | (9,277) |
| At 30 June 2018 | 24,032 | (4,663) | 19,369 |

13. Contributed equity, reserves and retained earnings (continued)**b) Reserves (continued)****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 the grant date fair value of deferred shares granted to employees but not yet vested.

c) Retained earnings

| Movements in retained earnings were as follows: | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Balance at 1 July | 91,470 | 63,802 |
| Net profit for the year | 76,712 | 54,556 |
| Non-controlling interest disposals/acquisition of subsidiary | - | 666 |
| Dividends | (34,964) | (27,554) |
| Balance at 30 June | 133,218 | 91,470 |

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.

14. Borrowings

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

| | 2018 \$'000 | 2017 \$'000 |
|-------------------------|----------------|----------------|
| Current Borrowings | 14,677 | 18,122 |
| Non-current Borrowings | 29,301 | 27,301 |
| Total Borrowings | 43,978 | 45,423 |

Financial facilities

The Group holds a Club Facility with HSBC Bank and the Commonwealth Bank of Australia. This multi-currency facility includes lines of credit up to \$150.2 million. Security has been provided over CTM Group assets and subsidiary shareholding to a Security Trustee for the benefit of the financiers. The existing Group Facility Agreement offered CTM flexibility to activate an optional, one-off increase of facility B with both banks, up to a maximum additional contribution of \$35 million. CTM Treasury requested this be activated for the remainder of the facility expiring in January 2020, to support the growth of the business. The increase concluded post year end, in July 2018, for the full entitlement, increasing the facility to \$183.5 million.

The Group has further facilities of \$1.3 million available in Asia, which are utilised for bank guarantees required for supplier bonding purposes.

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

14. Borrowings (continued)

The unused portion of the Group's total facilities at 30 June 2018 is set out in the following table:

| | \$'000 |
|-------------------------|----------------|
| Unused | 25,358 |
| Used (i) | 126,161 |
| Total facilities | 151,519 |

(i) Included within the used portion of the total facilities listed above are bank guarantees of \$83.6 million. See note 17 for the total amount of bank guarantees for the Group.

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.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the Consolidated Statement of Comprehensive Income, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| <i>The carrying amount of goodwill allocated to the cash generating unit:</i> | | |
| Travel service - Australia and New Zealand | 46,997 | 46,884 |
| Travel service - North America | 194,270 | 186,669 |
| Travel service - Asia | 27,497 | 26,568 |
| Travel service - Europe | 138,423 | 131,892 |
| Total | 407,187 | 392,013 |

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 |
| 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 an average 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% |
| 2017 | | | | |
| Pre-tax nominal discount rate applied to the cash flow projection | 16.06% | 16.48% | 12.59% | 11.96% |
| Cash flows beyond the next financial year, up to year 5, are extrapolated using a growth rate of: | | | | |
| Revenue | 3.50% | 3.50% | 3.50% | 5.00% |
| Operating expenses | 3.00% | 2.50% | 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 2018 and 30 June 2017

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 average value 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 average value 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 (7.06%) |
| Operating expenses | Higher labour and / or other support costs | Increase to 14.88% |
| Growth rates – Travel services – North America | | |
| Revenue | Reduction in yield, rates, client retention | Decrease to 0.90% |
| Operating expenses | Higher labour and / or other support costs | Increase to 6.10% |
| Growth rates – Travel services – Asia | | |
| Revenue | Reduction in yield, rates, client retention | Decrease to (4.57%) |
| Operating expenses | Higher labour and / or other support costs | Increase to 10.73% |
| Growth rates – Travel services – Europe | | |
| Revenue | Reduction in yield, rates, client retention | Decrease to (6.66%) |
| Operating expenses | Higher labour and / or other support costs | Increase to 16.32% |

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.

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 2018, the Group had interest bearing borrowings of \$44.0 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 US 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

The Group trades only with creditworthy third parties and 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.

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:

| | 2018 \$'000 | Moody's Investor Service Rating |
|---------------------------|----------------|--|
| Australia and New Zealand | 7,273 | Aa3-A1 |
| North America | 19,062 | Aa1-A2 |
| Asia | 29,285 | Aa1-Baa3 |
| Europe | 28,677 | Aa3-Baa1 |
| Total | 84,297 | |

Client and Trade receivables are held with predominantly un-rated entities – see note 10.

16. Financial risk management (continued)

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.

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 2018.

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 2018.

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

| | Contractual cash flows | | Carrying amount | |
|---------------------------------------|------------------------|----------------|-----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| 1 year or less | 253,556 | 232,783 | 253,621 | 233,049 |
| 1 – 5 years | 1,691 | 24,368 | 2,872 | 24,868 |
| Over 5 years | - | - | - | - |
| Total Trade and Other Payables | 255,247 | 257,151 | 256,493 | 257,917 |
| 1 year or less | 14,677 | 18,122 | 14,677 | 18,122 |
| 1 – 5 years | 29,301 | 27,301 | 29,301 | 27,301 |
| Over 5 years | - | - | - | - |
| Total Borrowings | 43,978 | 45,423 | 43,978 | 45,423 |

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 (note 11). Additionally, the Group has a multi-currency debt facility which allows for borrowings in the relevant entity's functional currency. At 30 June 2018, there is one forward exchange contracts in place to hedge the final deferred consideration payment for Chris Thelen as part of the Chambers acquisition.

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.

| 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 | 2,690 | 7,427 | (5,522) | (6,341) | - | (1,746) |

Based on the 2018 balances, a 10% stronger/(weaker) Australian dollar against the currencies held, would result in Profit & Loss impact of \$187,810/(\$158,418).

| 2017 | Cash and cash equivalents \$'000 | Trade and Other receivables \$'000 | Related party loans \$'000 | Trade and Other payables \$'000 | Borrowings \$'000 | Total \$'000 |
|--------------|-------------------------------------|---------------------------------------|-------------------------------|------------------------------------|----------------------|-----------------|
| USD | 1,874 | 5,014 | 15,018 | (5,864) | - | 16,042 |
| HKD | 346 | 147 | (21,339) | (90) | - | (20,936) |
| GBP | 60 | - | 1,592 | (182) | - | 1,470 |
| NZD | 2 | - | 1,457 | (1) | - | 1,458 |
| JPY | 170 | - | - | (1,635) | - | (1,465) |
| Others | 957 | 368 | 1,610 | (1,793) | - | 1,142 |
| Total | 3,409 | 5,529 | (1,662) | (9,565) | - | (2,289) |

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. Contingent liabilities**Guarantees / Letter of credit facilities**

The Group has provided bank guarantees and letters of credit in relation to various facilities with vendors and in accordance with local travel agency licensing and International Air Transport Association regulations. Guarantees provided by the parent are held on behalf of other Group entities. Refer note 14 for details of security provided for the financing facilities.

| Guarantees provided for: | 2018 \$'000 | 2017 \$'000 |
|--------------------------|----------------|----------------|
| Various vendors | 83,586 | 50,199 |
| Total | 83,586 | 50,199 |

There were no other contingencies as at reporting date (2017: \$nil).

18. 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:

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Within one year | 8,837 | 8,060 |
| After one year but not more than five years | 13,244 | 14,244 |
| More than five years | 1,070 | 1,675 |
| Total | 23,151 | 23,979 |

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.

19. 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.

The Group acquired 100% of the shares of SCT Travel Group Pty Ltd, trading as Platinum Travel Corporation ("Platinum"), with effect from 1 July 2018. Platinum is a renowned Australian boutique agency that has an excellent reputation for customer service and is well placed in the SME corporate and events segments of the travel industry.

As part of this transaction, an initial consideration of \$5,000,000 was paid through a mixture of cash and Corporate Travel Management Ltd shares. A further deferred consideration payment of up to \$3,500,000 may also be payable upon long term growth.

Due to the timing of the acquisition, CTM has not yet finalised the provisional calculation of the net identifiable assets or purchased goodwill. The financial effects of the transactions have not yet been brought to account at 30 June 2018.

On 11 July 2018, CTM announced the acquisition of Lotus Travel Group Limited (Lotus), effective 2 October 2018. The Group will be acquiring 75.1% of Lotus, with our Asian partners Ever Prestige Investments Limited (EPIL) acquiring the remaining 24.9%. Headquartered in Hong Kong with offices in Greater China, Lotus has been operating for over 60 years and is one of the largest travel companies in Greater China.

An initial consideration of \$51,721,462 (HK\$300,000,000), which represents 100% share of the initial consideration, is payable in cash. Further earn out consideration of up to \$11,206,317 (HK\$65,000,000) is payable based on a multiple of net profit after tax for the year ending December 2018. The Group funded its 75.1% share of the acquisition via a share placement of 1,554,000 fully paid ordinary shares at \$25.75 per share. The shares were issued on 17 July 2018.

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.

20. Other current assets

| | 2018 \$'000 | 2017 \$'000 |
|--------------------------------|----------------|----------------|
| Prepayments | 3,701 | 4,226 |
| Financial assets at fair value | 502 | 236 |
| | 4,203 | 4,462 |

21. Plant and equipment

| | Furniture, fixtures and equipment \$'000 | Computer equipment \$'000 | Leasehold improvements \$'000 | Other \$'000 | Total \$'000 |
|---|---|---------------------------------|-------------------------------------|-----------------|-----------------|
| 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 |
| Year ended 30 June 2017 | | | | | |
| Cost | 5,124 | 7,598 | 5,269 | 447 | 18,438 |
| Accumulated depreciation | (4,254) | (5,843) | (2,725) | (354) | (13,176) |
| | 870 | 1,755 | 2,544 | 93 | 5,262 |
| Opening net book amount | 621 | 1,310 | 3,315 | 180 | 5,426 |
| Additions | 377 | 810 | 129 | 12 | 1,328 |
| Additions through the acquisition of entities/ businesses | 223 | 528 | 138 | - | 889 |
| Transfers/reallocations | 195 | (195) | - | - | - |
| Disposals through sale of an entity | (82) | (14) | (249) | (75) | (420) |
| Depreciation charge | (388) | (687) | (724) | (84) | (1,883) |
| Exchange differences | (76) | 3 | (65) | 60 | (78) |
| Closing net book amount | 870 | 1,755 | 2,544 | 93 | 5,262 |

No additions during the year (2017: \$nil) were financed under lease agreements.

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.

21. Plant and equipment (continued)

Accounting policy (continued)

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.

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.

22. Fair value measurement

Fair value hierarchy

The balance for the Group's asset and liabilities measured and recognised at fair value is nil. The following table represents the changes for the year ended 30 June 2018.

| | Contingent Consideration S'000 |
|-------------------------------------|--------------------------------------|
| Opening balance 1 July 2017 | 8,160 |
| Additions | - |
| Transfer to Acquisition payable (i) | (9,029) |
| Foreign exchange movement | 593 |
| Discount unwind | 276 |
| Closing balance 30 June 2018 | - |

(i) The balance transferred to Acquisition payable during the period consists of the Redfern Travel contingent consideration (\$9.0 million), based on the financial criteria relating to the earn out period being met.

Fair values of other financial instruments

At 30 June 2018 there is one forward exchange contracts in place to hedge the deferred consideration payment for Chris Thelen, as a part of the Chambers acquisition. The foreign exchange contracts have been accounted for using hedge accounting and designated at the inception of the transaction as cash flow hedges. The forward contracts are assessed at fair value and the effectiveness of the hedge is tested at each reporting date. The fair value is assessed to be \$0.5 million at 30 June 2018 and recognised through Other comprehensive income.

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

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 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.

23. 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.

Grants made during 2018 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 = $((SMV - BP) / SMV) \times PQSR$

For cash based settlements, the calculation is as follows:

Cash Settlement Amount = $(SMV - BP) \times PQSAR$

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:

| | 2018 Number of SARS | 2017 Number of SARS |
|--|------------------------|------------------------|
| As at 1 July | 3,117,500 | 2,185,000 |
| Granted during the year | 1,610,000 | 1,582,500 |
| Exercised during the year | (865,000) | (300,000) |
| Forfeited during the year | (287,000) | (350,000) |
| As at 30 June | 3,575,500 | 3,117,500 |
| Vested and exercisable at 30 June | - | - |

23. Share-based payments (continued)

Share appreciation rights (continued)

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 2018 | SARS 30 June 2017 |
|----------------|----------------------------|------------|----------------------|----------------------|
| 1 July 2014 | 1 July 2014 – 30 June 2017 | \$7.00 | - | 865,000 |
| 1 July 2015 | 1 July 2015 – 30 June 2018 | \$8.80 | 50,000 | 50,000 |
| 1 July 2015 | 1 July 2015 – 30 June 2018 | \$11.50 | 795,000 | 795,000 |
| 1 July 2016 | 1 July 2016 – 30 June 2019 | \$15.33 | 1,332,500 | 1,407,500 |
| 22 August 2017 | 1 July 2017 – 30 June 2020 | \$23.90 | 1,398,000 | - |
| | | | 3,575,500 | 3,117,500 |

On 22 August 2018, 509,961 shares will be issued upon vesting of 845,000 SARs. In addition to the share issue, 1,598,000 SARs will be 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 2018 was \$2.49 per SAR (2017 - \$1.62). 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.

The fair value model inputs for SARs granted during the year ended 30 June 2018 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: \$23.90 (2017 - \$15.33).
- Grant Date: 22 July 2017 (2017 - 1 July 2016).
- Expiry Date: 1 July 2020 (2017 - 1 July 2019).
- Share Price at Grant Date: \$21.85 (2017 - \$14.20).
- Expected price volatility of the Group's shares: 25% (2017 - 25%).
- Expected dividend yield: 3.0% (2017 - 3.0%).
- Risk-free interest rate: 1.94% (2017 - 1.52%).

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 \$2,176,000 (2017: \$1,366,000).

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.

24. Interests in other entities

a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2018 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.

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 non- controlling interest | | Principal activities |
|--|---|--|-----------|--|-----------|-------------------------|
| | | 2018 % | 2017 % | 2018 % | 2017 % | |
| Corporate Travel Management Group Pty Ltd* | Australia | 100 | 100 | - | - | Travel services |
| Corporate Travel Management North America Inc | United States of America | 100 | 100 | - | - | Travel services |
| Westminster Travel Limited | Hong Kong | 75.1 | 75.1 | 24.9 | 24.9 | Travel services |
| Corporate Travel Management (United Kingdom) Limited | United Kingdom | 100 | 100 | - | - | Travel services |
| Redfern Travel Ltd | United Kingdom | 100 | 100 | - | - | 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 to note 27.

24. Interests in other entities (continued)**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.

The amounts disclosed are before inter-company eliminations.

| Summarised Statement of Financial Position | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Current assets | 145,404 | 126,882 |
| Current liabilities | (85,983) | (74,699) |
| Current net assets | 59,421 | 52,183 |
| Non-current assets | 17,482 | 16,277 |
| Non-current liabilities | (936) | (1,088) |
| Non-current net assets | 16,546 | 15,189 |
| Net assets | 75,967 | 67,372 |
| Accumulated NCI | 17,158 | 15,304 |

| Summarised Statement of Comprehensive Income | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Revenue | 53,807 | 57,832 |
| Profit for the period | 15,648 | 14,836 |
| Other comprehensive income | 2,699 | 2,430 |
| Total comprehensive income | 18,348 | 17,266 |
| Profit / (loss) allocated to NCI | 3,870 | 3,189 |
| Dividends paid to NCI | 2,507 | 2,568 |

| Summarised Statement of Cash Flows | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Cash flows from operating activities | 18,311 | 12,038 |
| Cash flows from investing activities | (832) | (175) |
| Cash flows from financing activities | (13,085) | (11,966) |
| Net increase / (decrease) in cash and cash equivalents | 4,394 | (103) |

25. 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 24.

c) Key management personnel compensation

| | 2018 \$ | 2017 \$ |
|----------------------|------------------|------------------|
| Short-term | 4,767,414 | 4,440,380 |
| Post-employment | 254,361 | 211,064 |
| Long-term benefits | 13,259 | (46,564) |
| Share-based payments | 766,245 | 498,523 |
| | 5,801,279 | 5,103,403 |

Detailed remuneration disclosures are provided in the Remuneration Report on pages 30-38.

25. Related party transactions (continued)**d) Transactions with other related parties**

Deferred consideration balance of \$8.7 million was paid to Chris Thelen and a deferred consideration balance of \$0.5 million was paid to Debbie Carling, in relation to the Chambers Travel acquisition. The remaining balance of \$13.6 million is payable to Chris Thelen within 12 months and is included in the Acquisition payable balance in note 11.

During the year ended 30 June 2018, Jamie Pherous, an executive director, entered into a transaction with the company under normal commercial terms for the provision of event travel management. A balance of \$377,955 is receivable as at 30 June 2018 which has been subsequently paid after period end.

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:

| | 2018 \$'000 | 2017 \$'000 |
|------------------------------------|----------------|----------------|
| <i>Trade and other receivables</i> | | |
| Key management personnel | 378 | - |
| <i>Other payables</i> | | |
| Key management personnel (i) | 13,631 | 21,798 |
| Other related parties | 82 | 76 |

(i) The payable represents the present value of the deferred consideration payable to Chris Thelen, as a part of the acquisition of Chambers Travel Group Limited (\$13.6 million) – 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 were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.

26. 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 | 2018 \$'000 | 2017 \$'000 |
|-----------------------------------|----------------|----------------|
| Current assets | 1,279 | 1,068 |
| Total assets | 397,056 | 352,332 |
| Current liabilities | 26,988 | 29,973 |
| Total liabilities | 47,938 | 15,243 |
| Net assets | 349,118 | 337,089 |
| <i>Shareholders' equity</i> | | |
| Issued capital | 322,150 | 302,250 |
| Reserves | 17,158 | 13,429 |
| Retained earnings | 9,810 | 21,410 |
| Shareholders' equity | 349,118 | 337,089 |
| Profit for the year | 34,113 | 28,267 |
| Total comprehensive income | 34,113 | 28,267 |

26. Parent entity financial information (continued)**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 14 and note 17.

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

d) Contractual commitments

The parent did not have any contractual commitments at 30 June 2018 or 30 June 2017.

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.

The 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.

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.

27. 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, Sara Enterprise, 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'.

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 2018 of the closed Group.

a) Consolidated Statement of Comprehensive Income

| | 2018 \$'000 | 2017 \$'000 |
|--|------------------|------------------|
| Revenue | 235,600 | 216,263 |
| Other income | 21,276 | 9,823 |
| Total revenue and other income | 256,876 | 226,086 |
| Operating expenses | | |
| Employee benefits | (127,478) | (119,940) |
| Occupancy | (6,244) | (6,088) |
| Depreciation and amortisation | (8,221) | (9,730) |
| Information technology and telecommunications | (20,790) | (17,189) |
| Travel and entertainment | (3,048) | (3,833) |
| Administrative and general | (8,007) | (9,818) |
| Total operating expenses | (173,788) | (166,598) |
| Finance costs | (4,519) | (2,645) |
| Profit before income tax | 78,569 | 56,843 |
| Income tax expense | (16,065) | (14,850) |
| Profit for the year | 62,504 | 41,993 |
| Other comprehensive income | | |
| <i>Items that may be reclassified to profit or loss:</i> | | |
| Exchange differences on translation of foreign operations | 7,119 | (3,230) |
| Changes in the fair value of cash flow hedge | 87 | 360 |
| Other comprehensive income for the period, net of tax | 7,206 | (2,870) |
| Total comprehensive income for the year | 69,710 | 39,123 |

27. Deed of cross guarantee (continued)**b) Consolidated Statement of Financial Position**

| | 2018 \$'000 | 2017 \$'000 |
|--------------------------------------|----------------|----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 26,857 | 32,091 |
| Trade and other receivables | 87,057 | 66,618 |
| Other current assets | 1,962 | 236 |
| Related party receivable | 4,241 | 1,732 |
| Total current assets | 120,117 | 100,677 |
| Non-current assets | | |
| Plant and equipment | 3,865 | 3,177 |
| Intangible assets | 254,301 | 244,922 |
| Investment in related parties | 187,487 | 175,656 |
| Deferred tax assets | 5,863 | 9,012 |
| Related party receivable | 2,925 | - |
| Total non-current assets | 454,441 | 432,767 |
| TOTAL ASSETS | 574,558 | 533,444 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 77,271 | 85,450 |
| Borrowings | 3,700 | 18,095 |
| Income tax payable | 855 | 2,691 |
| Provisions | 4,927 | 4,742 |
| Related party payable | 16,321 | 59,470 |
| Total current liabilities | 103,074 | 170,448 |
| Non-current liabilities | | |
| Trade and other payables | 1,180 | 1,186 |
| Borrowings | 20,777 | - |
| Provisions | 1,194 | 1,927 |
| Related party payable | 44,892 | |
| Deferred tax liabilities | 4,691 | 4,975 |
| Total non-current liabilities | 72,734 | 8,088 |
| TOTAL LIABILITIES | 175,808 | 178,536 |
| NET ASSETS | 398,750 | 354,908 |
| EQUITY | | |
| Contributed equity | 301,747 | 281,847 |
| Reserves | 8,596 | 11,474 |
| Retained earnings | 88,407 | 61,587 |
| TOTAL EQUITY | 398,750 | 354,908 |

28. Auditors' remuneration

The auditor of the Group is PricewaterhouseCoopers.

| | 2018 | 2017 |
|---|----------------|----------------|
| PricewaterhouseCoopers Australia: | | |
| Audits and review of the financial reports of the entity and any other entity in the consolidated group | 455,805 | 531,419 |
| Other services in relation to the entity and any other entity in the consolidated group: | | |
| Tax compliance | 214,700 | 220,578 |
| Other advisory services | 76,508 | 72,127 |
| Total remuneration of PricewaterhouseCoopers Australia | 747,013 | 824,124 |
| 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 report | 466,452 | 471,027 |
| Tax compliance | 8,357 | 43,639 |
| Other services | 16,257 | 6,071 |
| Total remuneration of PricewaterhouseCoopers network firms | 491,066 | 520,737 |
| Non-PricewaterhouseCoopers firms: | | |
| Services in relation to the entity and any other entity in the consolidated group: | | |
| Audit and review of the financial report | 69,749 | 101,703 |
| Total remuneration of Non-PricewaterhouseCoopers firms | 69,749 | 101,703 |

29. 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.

i) 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

There are no new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017 that materially affect the amounts recognised in the current period or any prior period and are not likely to affect future periods. The Group has not early adopted any amendments, standards or interpretations that have been issued but are not yet effective in the current year.

29. Summary of significant account policies (continued)

b) New and amended standards (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ending 30 June 2018 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 9 <i>Financial instruments</i> | The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has undertaken an assessment of the potential impact of this new standard and at this stage, does not expect there to be a material impact on the Group's results. | Mandatory for financial year ending 30 June 2019. The Group does not intend to early adopt the standard before its effective date. |
| AASB 15 <i>Revenue from contracts with customers</i> | The AASB has issued a new standard for the recognition of revenue, which will replace AASB 118, which covers revenue arising from the sale of goods and the rendering of services and AASB 111, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group has performed a detailed analysis of the revenue from contracts with customers based on a portfolio approach. Approximately 95% of the revenue has been included as part of the review. There is no projected material impact to the Group's financial results. There will be changes to the Group's revenue disclosures as part of the adoption of AASB15. | Mandatory for financial year ending 30 June 2019. At this stage, the Group does not intend to adopt the standard before its effective date. |
| AASB 16 <i>Leases</i> | AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, 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 accounting for lessors will not significantly change. As at the reporting date, the group has operating lease commitments of \$23.2million. Refer note 18. In FY17 the Group conducted a detailed preliminary assessment of the forecast impact of AASB 16 on the Group's profit, balance sheet and cash flows. Property leases are the main leases which will be impacted by the new standard for CTM. Based on this initial assessment the Group expects a material increase in both lease liabilities and right-of-use assets. The Group EBITDA is expected to be materially positively impacted as lease costs are reclassified as interest and depreciation, although the impact on the Group's profit is not expected to be material. The full impact of the standard will however depend on the leases in place on transition. During FY19 the Group will update the assessment of the standard and provide further disclosure on the expected impact. | 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.

c) 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.

Directors' Declaration

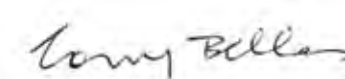
In the Directors' opinion:

- (a) The financial statements and notes set out on pages 42 to 90 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 2018 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 27 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 27.

Note 29 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 Chief Executive Officer and 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 Tony Bellas
Chairman



Mr Jamie Pherous
Managing Director

Brisbane, 22 August 2018



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 2018 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 2018
- 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 Accounting 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

Liability limited by a scheme approved under Professional Standards Legislation.



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 consolidation is performed.



Materiality

- For the purpose of our audit we used overall Group materiality of \$5.2 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 as the benchmark because the Group is a profit oriented entity 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 selected 5% based on our professional judgement noting that it is also 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 based finance function.
 - 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 final clearance meetings with local management.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements 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 |
|--|---|
| <p>Revenue recognition</p> <p><i>Refer to Note 2 Revenue</i></p> <p>The Group's provision of travel services to clients drives a number of revenue streams.</p> <p>The recognition of revenue from these sources is largely dependent on the terms of the underlying contracts with the customer, the supplier, or both. Contracts can be complex and bespoke in terms of their fee structures, the range and mix of services provided, as well as potential for late adjustments and renegotiations of contractual terms.</p> <p>In addition, judgement is involved in the recognition of revenue related to volume incentives ("overrides") as revenue is accrued based on estimated Total Transaction Value ("TTV") for the period, with reference to terms stipulated in supplier agreements.</p> <p>We focused on revenue recognition due to the materiality of the revenue balance as a whole and on the revenue streams 'fees', 'commissions' and 'overrides' in particular. This was because of their relative significance to the overall revenue balance, the bespoke nature of the agreements and (in the case of overrides) the judgement involved in accurately recognising revenue.</p> | <p>Our procedures in relation to the recognition of revenue from all significant revenue streams included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the Group's revenue recognition processes • Utilising data analytic techniques for selected geographical locations to identify revenue transactions for our testing of journals • Considering the Group's assessment of the expected impact of AASB 15 on the financial statements. <p>In addition, we performed the following procedures specific to the below revenue streams, on a sampling basis, amongst others:</p> <p>Overrides</p> <ul style="list-style-type: none"> • Comparing the percentages, rates and TTV inputs used in the underlying calculations to percentages and rates stipulated in the overrides agreements, and known TTV data supplied by a third party • Testing a sample of overrides payments received during the year to remittance and bank statements <p>Fees & Commissions</p> <ul style="list-style-type: none"> • Utilising data analytic techniques to reconcile the total recognised revenue for fees and commissions for selected geographical locations to recorded total cash received for those selected locations • Agreeing a sample of recorded fees and commissions transactions to supporting documents, including customer agreements, invoices, remittances and bank statements. |



| Key audit matter | How our audit addressed the Key audit matter |
|--|--|
| <p>Impairment assessment on the Group's goodwill balances</p> <p><i>Refer to Note 15 Impairment testing of goodwill</i></p> <p>At 30 June 2018, the Group recorded \$451.6m of intangible assets, of which \$407.2m related to goodwill. These assets are allocated between four cash generating units ("CGUs"), being Australia & New Zealand, North America, Europe and Asia.</p> <p>As required by Australian Accounting Standards, at 30 June 2018 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.</p> <p>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.</p> <p>No impairment charge was recorded by the Group in the current financial year.</p> | <p>Our procedures in relation to the impairment assessment of goodwill included, amongst others:</p> <ul style="list-style-type: none"> • 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 FY19 used in the models to the Board approved budget for FY19 • Comparing the FY18 actual results with prior year forecasts to assess the historical accuracy of the Group's forecasting processes • Evaluating the key assumptions in the cash flow models, including long term 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 FY19 forecast. <p>Based on our procedures we found that headroom remained between the carrying value of each CGU's assets (including goodwill) and the Group's calculation of the recoverable amount, and as such no impairment of goodwill was identified.</p> <p>We also compared the Group's net assets as at 30 June 2018 of \$471.5m to its market capitalisation of \$2,896.8m at 30 June 2018, and noted the \$2,425.3m of implied headroom in the comparison.</p> |



Key audit matter

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 2018, 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 2018, there were software additions of \$11.1m, which primarily relates to salary costs associated with internally developed computer 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.

How our audit addressed the Key audit matter

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 reasonableness of the useful life applied to internally generated software assets once transferred from 'work in progress'
- Assessing, on a sampling basis, whether the remaining useful life of developed software assets is still reasonable
- Assessing the accuracy and completeness of related disclosures in the financial statements as at 30 June 2018.



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 2018, 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 and Managing Director's Report, Corporate Directory, Directors' Report, Corporate Governance Statement and Shareholder Information. 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 accordingly 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 identified above 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 as identified above, 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 30 to 38 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Corporate Travel Management Limited for the year ended 30 June 2018 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 Shewan

Michael Shewan
Partner

Brisbane
22 August 2018

Shareholder Information

The shareholder information set out below was applicable at 19 July 2018.

a) Distribution of equity securities

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

| | Number of shareholders |
|------------------|------------------------|
| 1 – 1,000 | 8,328 |
| 1,001 – 5,000 | 4,225 |
| 5,001 – 10,000 | 485 |
| 10,001 – 100,000 | 327 |
| 100,001 and over | 43 |
| | 13,408 |

There were 194 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:

| | 2018 Number held | Percentage of issued shares |
|---|-------------------|-----------------------------|
| HSBC Custody Nominees (Australia) Ltd | 24,640,176 | 22.87% |
| Pherous Holdings Pty Ltd | 20,485,000 | 19.01% |
| J P Morgan Nominees Australia Limited | 12,108,357 | 11.24% |
| Citicorp Nominees Pty Limited | 4,240,048 | 3.94% |
| National Nominees Limited | 3,816,399 | 3.54% |
| Claire Lesley Gray | 2,062,978 | 1.91% |
| BNP Paribas Noms Pty Ltd | 1,708,531 | 1.59% |
| BNP Paribas Nominees Pty Ltd | 1,481,250 | 1.37% |
| Matimo Pty Ltd | 1,279,350 | 1.19% |
| Steven Craig Smith | 1,084,338 | 1.01% |
| Ms Helen Logas | 1,036,764 | 0.96% |
| National Nominees Limited | 965,659 | 0.90% |
| Doobie Investments Pty Limited | 924,936 | 0.86% |
| Mr Matthew Dalling | 819,171 | 0.76% |
| Matthew Michael Cantelo | 760,270 | 0.71% |
| Citicorp Nominees Pty Limited | 570,511 | 0.53% |
| Shamiz Pty Ltd | 526,893 | 0.49% |
| AMP Life Limited | 518,166 | 0.48% |
| Joseph D McClure and Julie A McClure | 440,180 | 0.41% |
| Dr David John Ritchie and Dr Gillian Joan Ritchie | 381,468 | 0.35% |
| | 79,850,445 | 74.12% |

Shareholder Information (continued)

c) Equity security holders (continued)

Unquoted equity securities

| | Number on issue | Number of holders |
|---------------------------|-----------------|-------------------|
| Share Appreciation Rights | 3,575,500 | 43 |

d) Substantial holders

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

| | Number held | Percentage Issued shares |
|---|-------------|--------------------------|
| HSBC Custody Nominees (Australia) Ltd | 24,640,176 | 22.87% |
| Pherous Holdings Pty Ltd | 20,485,000 | 19.01% |
| J P Morgan Nominees Australia Limited | 12,108,357 | 11.24% |
| Pinnacle Investment Management Group Limited and Pinnacle Investment Management Limited | 5,651,178 | 5.65% |
| Hyperion Asset Management Limited | 5,019,113 | 5.04% |

e) 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 | Tony Bellas Stephen Lonie Greg Moynihan Jamie Pherous 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 31 October 2018 at 11am at the office of Allens Linklaters (Level 26, 480 Queen Street, Brisbane QLD 4000). |
| Registered office in Australia | Level 24, 307 Queen Street Brisbane QLD 4000 |
| Share register | Computershare Investor Services Pty Limited 117 Victoria Street West End QLD 4101 Telephone: 1300 782 544 |
| 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 |



corporate travel management

Registered Office

Level 24,
307 Queen Street,
Brisbane QLD 4000
www.travelctm.com