APPENDIX 4D
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

FLIGHT CENTRE TRAVEL GROUP LIMITED (FLT)
ABN 25 003 377 188

CONTENTS

APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

RESULTS IN BRIEF

	DEC 2016 $'000	DEC 2015 $'000	CHANGE $'000	CHANGE %
Total transaction value (TTV)[1]	9,343,279	9,182,098	161,181	1.8%
Revenue	1,250,983	1,258,192	(7,209)	(0.6%)
Net profit before tax	109,151	156,852	(47,701)	(30.4%)
Net profit after tax	74,447	116,688	(42,241)	(36.2%)

[1] TTV is non-IFRS financial information and is not subject to audit or review procedures, and does not represent revenue in accordance with Australian Accounting Standards. TTV represents the price at which travel products and services have been sold across the group's various operations, as agent for various airlines and other service providers, plus revenue from other sources. FLT's revenue is, therefore, derived from TTV.

DIVIDENDS

31 DECEMBER 2016	AMOUNT PER SECURITY CENTS	100% FRANKED AMOUNT CENTS
Interim dividend[2]	45.0	45.0
30 JUNE 2016		
Interim dividend	60.0	60.0
Final dividend[3]	92.0	92.0

[2] The record date for determining entitlements to the interim dividend of 45.0 cents per share is 23 March 2017. The payment date for the interim dividend is 13 April 2017.

[3] Final dividend of 92.0 cents per share for the year ended 30 June 2016 was declared 25 August 2016.

NET TANGIBLE ASSETS

	DEC 2016 $	DEC 2015 $
Net tangible asset backing per ordinary security	8.63	8.32

CONTROL GAINED OVER ENTITIES

On 16 December 2016, FLT acquired a 100% interest in the Travellink AB corporate business operating in the Nordics and the Opodo Limited corporate businesses operating in Germany for consideration of €4,234,000 ($6,055,000). These are corporate travel businesses operating across Sweden, Denmark, Norway, Finland and Germany. The acquisition allows FLT to continue its European expansion plans and provides FLT with an immediate footprint in these markets.

On 2 February 2017, FLT acquired assets and liabilities of Travel Tours Group (TTG), for cash consideration of INR189,800,000 ($3,714,002) and a 7.39% shareholding scrip in FCM India. TTG is a leading local travel group based in India operating five brands and focusing on retail, corporate, Meetings, Incentives, Conferences and Exhibitions/Events (MICE), Forex, and wholesale.

On 24 October 2016, FLT gained effective control over 100% of Shenzhen Sunny Holiday International Travel Agency Co., Ltd. through the SPA and other contracts entered into as part of the transaction. The entity does not have any operations only an outbound licence to sell travel in mainland China. The outbound licence enables FLT to sell a full corporate and leisure offering in China.

APPENDIX 4D CONTINUED

DETAILS OF JOINT VENTURES AND ASSOCIATE

	DEC 2016	DEC 2015
Employment Office Australia Pty Ltd	50%	50%
Pedal Group Pty Ltd	50%	50%
Buffalo Tours (Singapore) Pte Ltd	49%	49%
Ignite Travel Group Limited	49%	-

On 14 September 2016, FLT invested $9,800,000 in Ignite Travel Group Limited (Ignite) for a 49% share of the equity. Ignite specialises in the development and distribution of innovative leisure market models including exclusively curated holiday packages, travel vouchers and rewards programs. Ignite is a group of private entities that are not listed on any public exchange. FLT's investment in Ignite is accounted for using the equity method in the consolidated financial statements.

On 21 February 2017, FLT finalised discussions which commenced in late 2016 and exited its investment in Employment Office. This resulted in FLT selling its 50% interest to Recruitment Investments Pty Ltd, with a loss on disposal of $4,066,000.

COMPLIANCE STATEMENT

The report is based on accounts which have been reviewed by the auditor of Flight Centre Travel Group Limited. There have been no matters of disagreement and a report of the auditor's review appears in the half-year financial report.

The report should be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by FLT in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001 and ASX Listing Rules*.

Signed:

G. F. Turner
Director

23 February 2017

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Flight Centre Travel Group Limited (FLT) and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

DIRECTORS

The following persons were directors of FLT during the half year and up to the date of this report.

G.F. Turner

G.W. Smith

J.A. Eales

R.A. Baker

C. L. Kelly (resigned 2 August 2016)

REVIEW OF OPERATIONS AND RESULTS

THE Flight Centre Travel Group (FLT) has achieved record first half (1H) sales and a profit before tax (PBT) in line with its targeted range for the six months to December 31, 2016.

The results have been achieved in a challenging global trading cycle and against a backdrop of widespread airfare discounting, economic uncertainty and exchange rate volatility. These cyclical factors have affected short-term PBT comparisons at a time when FLT's longer term strategic evolution has started to gain momentum, as evidenced by its:

- Strong ticket sales, particularly in Australia, where volume growth significantly outpaced market growth and 1H total transaction value (TTV[1]) topped $5billion for the first time
- Improved productivity, as FLT achieved its goal of increasing sales per person
- Growth in Europe, with the business delivering record 1H results in local currency (LC) and expanding into new and important geographies on the Continent
- Ongoing business transformation through the investment in new tools and systems, including digital enhancements that have helped drive rapid online sales growth; and
- Strong balance sheet, with more than $350million in positive net debt

The company, which is now one of the world's largest and most diverse travel groups, has also outlined new initiatives to enhance its omni-channel offerings and drive future growth.

These include a small but potentially important investment for the future in Mainland China, with FLT adding Shenzhen Sunny Holiday International, a small Shenzhen-based travel agency that is licensed to sell outbound travel to Chinese nationals, to its network.

FLT's investment in Sunny follows three earlier acquisitions in the 2017 fiscal year (FY17), as it continues to expand globally in six key sectors, specifically its mainstream leisure, corporate and student/youth businesses, plus its emerging in-destination, non-travel and business acceleration areas.

Including its recent acquisitions in Europe, which saw it add businesses in Germany, Sweden, Denmark, Finland and Norway to its existing footprint in the UK, Ireland and Netherlands, FLT now has company-owned businesses in 20 countries, compared to just 10 countries three years ago.

RESULTS AND RESULT DRIVERS

While FLT achieved record 1H TTV for the 20th time in 21 years as a listed entity and an underlying PBT[2] in line with expectations, results were significantly impacted by:

- Unprecedented airfare discounting since the start of the second half (2H) of FY16, which has stimulated demand but slowed short-term TTV and revenue growth
- Adverse foreign exchange (FX) movement, which affected overseas translation into Australian dollars (AUD) and which also led to a $3.4million swing in Forward Exchange Contract and translation of foreign denominated balances into AUD. In additions, results were impacted by overseas result translation into AUD. FLT would have achieved an additional $4.7million in 1H PBT and TTV would have increased by 5.6% if FY16's 1H exchange rates were applied to its FY17 results
- Economic uncertainly early in the 1H, which contributed to soft July trading results. Excluding July, TTV increased about 3.4% globally and by 6.2% in Australia; and
- Reduced earnings from the emerging Asia, Middle East and UK-based tour operating businesses, which together recorded a $12.5million decrease in 1H profits

Nine of FLT's 10 regions[3] delivered record TTV in LC, but year-on-year FX shifts (outlined above) meant that overall TTV increased by 1.8% in AUD to $9.34billion.

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

Underlying PBT[2] was $113.2million, just above the mid-point of the period's targeted range, while underlying net profit after tax[2] (NPAT) was $78.2million (FY16:$105.7million). Statutory PBT was $109.2million, with FLT incurring a one-off $4.1million loss on exiting its Employment Office investment.

The Europe business overcame challenging market conditions to deliver a record 1H PBT in LC, as did FLT's businesses in South Africa and on Mainland China.

BUSINESS GROWTH

Sales staff numbers increased 3% year-on-year, but sales team numbers were flat as FLT:

- Successfully focused on productivity, its over-arching strategic focus in the short-term, rather than network expansion in some countries in a subdued trading climate
- Merged some smaller teams, in line with its belief in operating with an optimum team size; and
- Downsized US-based wholesaler GOGO and Round-The-World Experts in the UK to deliver stronger results

In addition to its investment in Sunny, FLT secured three small 1H acquisitions:

1. A 49% interest in Ignite, an Australian retail business that specialises in holiday packages, exclusive "flash sale" travel vouchers and rewards programs
2. The European corporate businesses; and
3. Bengaluru-based Travel Tours Group's (TTG) business assets, which included specialist FX, meetings and events, leisure, corporate and wholesale businesses

The Europe acquisition settled late in December 2016, while the first component of the TTG acquisition settled early in the 2H, meaning neither contributed to 1H results.

1H capital expenditure was $66million (FY16 1H: $58million) as FLT invested in systems and shop enhancements, plus head office relocations that have now taken place.

The largest relocation was in Australia, where almost 2000 staff relocated from four Brisbane properties into the new global headquarters at South Bank.

The increased cap-ex, which led to a $5million 1H depreciation and amortisation expense increase, has also been directed towards system enhancements that should create a stronger operational backbone, enabling scalable growth and seamless customer experiences. Key areas include product and pricing, finance, the customer and digital.

CASH, CASH FLOWS AND DIVIDENDS

At December 31 2016, FLT had $448.6million in company cash and investments and $91.9million in borrowings, leading to a $356.7million positive net debt position.

The directors today declared a 45 cents per share fully franked interim dividend (FY16: 60 cents per share) to be paid on April 13, 2017 to shareholders registered on March 23, 2017. This represents a 58% return of underlying NPAT to shareholders.

OPERATIONAL REVIEW

GEOGRAPHIC RESULTS – AUSTRALIA

In Australia, 1H TTV topped $5billion for the first time, as the company recorded strong growth in international and domestic airfare sales.

International ticket sales increased 10% during the period and comfortably outpaced:

- The 5.2% outbound travel growth rate[4], pointing to market-share growth; and
- Network growth, pointing to solid productivity improvements

This growth trajectory continued in January, with FLT achieving its best monthly TTV increase for three years.

While 1H ticket sales increased strongly, average fares decreased 7% (international) and 4% (domestic) as traditional airlines and low cost carriers (LCCs) discounted fares.

This deflation meant that year-on-year TTV growth in Australia was more subdued at 4.6% and contributed to a 10% 1H earnings decrease.

Other contributing factors included lower corporate gross margins, which were in part brought about by a change in business mix (larger accounts secured), and the investment in online businesses Aunt Betty and BYOjet.

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

Both BYOjet and Aunt Betty delivered strong 1H sales results, with BYOjet's TTV increasing more than 50%.

flightcentre.com.au also performed strongly, with TTV increasing about 30%.

A broader range of products was added to the site, including additional fares and ancillary offerings, and it again delivered record enquiry to the flagship leisure brand's consultants.

In addition to acheiving increased flight sales through multiple channels, FLT performed well in a number of key sectors, including hotel room nights, cruise, FX, adventure travel, corporate account wins and the youth sector.

Other 1H highlights included the launch of interest-free payment options for leisure customers and expansion in the exclusive Captain's Package range (CPs), with a short-haul CP launched and new features added, including travel insurance (December).

While leisure TTV increased, corporate TTV was in line with the FY16 1H at just under $1.2billion in a subdued trading environment. FCM and Stage & Screen recorded solid sales growth but overall results were affected by lower airfare prices, client down-trading and the loss of some smaller accounts.

GEOGRAPHIC RESULTS – EUROPE (UK, IRELAND AND THE NETHERLANDS)

FLT's European business achieved record 1H TTV and profit (both in LC) despite a tough start to FY17, following the June 2016 Brexit referendum.

UK profit increased 10% during the three months to December 31 2016, after being relatively flat in LC during the first quarter, to underpin the company's overall growth in Europe.

This positive momentum has continued, with turnover increasing more than 20% in January in Europe and a record monthly profit achieved.

The UK corporate business again performed strongly, with account wins offsetting the impacts of client down-trading early in the 1H.

Elsewhere, the Netherlands corporate business broke even, while FLT recorded a loss in Ireland during a period of expansion, which saw a leisure offering launched in Dublin.

Other growth highlights in Europe included:

- Corporate travel expansion through the acquisitions in five key markets, which will make a small contribution to 2H profit, and via Corporate Traveller's Netherlands launch; and
- FLT's first significant online push through BYOjet's launch and e-commerce player StudentUniverse's merger with the gapyear social networking business

GEOGRAPHIC RESULTS – USA (INCLUDING MEXICO AND STUDENTUNIVERSE.COM)

In the USA, 1H TTV reached a record $AU1.3billion and exceeded $US1billion for the first time.

Losses increased in a low fare environment and during the leisure and wholesale businesses' seasonally softer trading period.

StudentUniverse (SU) achieved strong sales volumes and healthy profits, with online bookings growing and bookings made via SU's native mobile apps more than doubling.

The SME corporate business (Corporate Traveller), which has recently opened in Raleigh, Orange County and San Jose, also performed strongly, while the Mexico corporate business (acquired FY16) delivered a small profit.

Leisure losses increased, while loss-making wholesaler GOGO recorded a modest bottom-line improvement.

In line with normal seasonality in the USA, stronger 2H results are expected and the overall US business is expected to be profitable by the end of this month.

Other 1H highlights included:

- The creation of a Boston-based digital centre of excellence to improve online services and e-commerce platforms. This team has already delivered Flight Center USA's fully native mobile app to the market as a true "mobile first" initiative; and
- The opening of the first leisure micro-store in Tysons Corner Mall (Virginia)

DIRECTORS' REPORT CONTINUED

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

GEOGRAPHIC RESULTS – REST OF THE WORLD

Elsewhere in the world, FLT's established businesses in South Africa, New Zealand and Canada achieved record TTV in LC.

The South Africa business expanded into Namibia and achieved a record 1H profit (LC) while the Canada business, which has traditionally recorded 1H losses finished the period close to breakeven and achieved a record profit in January. In New Zealand , FLT achieved another healthy profit but the result was below the prior year.

FLT's emerging businesses in Greater China, Singapore and India also achieved record TTV (LC), with the UAE business recording a year-on-year decline in a subdued trading climate.

While the company performed well in some sectors in its Asia-Middle East region, particularly on Mainland China, overall losses increased about $2.9million during the 1H. 2H improvement is expected, as FLT introduces a regional management structure to centralise functions and reduce costs and as other new initiatives gain traction.

The recent India and China acquisitions are not expected to materially affect 2H results but will strengthen FLT's offering in these two rapidly growing markets in the future.

Since entering Mainland China in 2005, via a JV with China Comfort, FLT has obtained wholly-owned domestic and international ticketing licenses.

With Sunny's addition, the company will have a full leisure and corporate offering in a country that is now the world's largest corporate travel market (Source: GBTA) and is tipped to surpass the USA as the world's largest aviation market by 2024 (Source: IATA).

STRATEGIC UPDATE

While FLT's short-term strategic goal has been to increase productivity, which it has successfully done, longer term plans have been geared towards growth in six key areas.

1. Leisure travel retailing
2. In-destination travel experiences
3. Corporate travel, which now generates more than a third of global sales
4. The student and youth sector
5. Non-travel businesses that operate in sectors that are either adjacent to travel or that use the FLT business model; and
6. Business acceleration and early stage travel technology investments (Little Argas)

In leisure travel, FLT is cost effectively developing its omni-channel offerings along the Person-2-Person (P2P) Index to increase its market-share and to enhance customer transactions and interactions.

Key channels in the P2P Index include:

- Low touch, low cost online and contact centre offerings
- Large footprint hyperstores and megastores, plus smaller community shops; and
- Higher touch offerings, specifically events and expos and home-based agents

In Australia, FLT aims to fast-track growth in areas where it is currently under-represented, while also increasing in-store sales to dominate the leisure travel landscape. Opportunities include online and home-based, a model that is growing rapidly globally.

The company is also blending its leisure offerings and developing new products like CPs, interest-free holidays, Student Flights' Black Market Flights and the Journeys and Escapes land product ranges. A branded Mastercard was also recently introduced in New Zealand.

FLT's investment in its in-destination travel experiences area has created a stable of profitable businesses with unique products and offerings that can be distributed via its vast global sales network.

Destination management company (DMC) Buffalo Tours, a JV with Vietnam's Thien Minh Group, is performing strongly in Asia is expected to deliver a total FY17 profit in the order of $2million in just its second full year. This success is likely to pave the way for further expansion globally in the DMC sector, both organically and via acquisitions.

Tour operators Top Deck and Back-Roads are also expanding and recording strong forward bookings, which should lead to improved future results.

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

In corporate travel, FLT is developing a truly global presence by entering new and important markets and enhancing its already strong corporate technology suite through the introduction of Artificial Intelligence (AI) tools that are expected to deliver further efficiencies for both FLT and its customers.

SAM :], a booking app utilising cutting edge AI and chatbot technologies to enhance customer-consultant interactions, has been deployed in the USA and was launched in Europe this week.

In addition, the Little Argas acceleration and investment team has made a small investment in Claire, an intuitive AI-powered travel technology service that has just entered beta testing in the USA and that has been developed to target the unmanaged SME market.

While SAM :], or Smart Assistant for Mobile, is designed to respond to requests over a chat interface, Claire injects AI into the entire experience by analysing customer behaviour to identify habits and using machine learning to deliver deeper personalisation.

Within FLT's other key sectors;

- Youth brands SU and Student Flights are recording strong sales growth and gaining share in a large but highly fragmented global market
- The non-travel businesses are generally performing well in sales terms, with Travel Money on track to become the fourth Australian brand to top $1billion in annual TTV after Flight Centre, FCM and Corporate Traveller and the Pedal Group cycle JV set to deliver almost $100milllion in sales; and
- The Little Argas team is working with leading industry players to help fast-track start-ups' growth and identify possible investment opportunities, particularly businesses with products that can either be distributed via FLT's global sales network or that solve business problems

Across its key business units, FLT has continued to invest in and develop digital capabilities.

This has seen the company:

- Appoint a global chief digital officer (Atle Skalleberg) during the 1H
- Create the digital commerce centre of excellence's creation in Boston to accelerate FLT's digital transformation and provide global direction across e-commerce entities
- Implement an online sales strategy built around fewer proprietary booking platforms, improved leveraging of group IP and expansion into new and potentially large regions including the UK, Europe, Asia and the Middle East, where FLT has not previously had a meaningful online presence; and
- Launch new apps and tools, including Book With Me, the personalised web pages that Flight Centre travel agents in Australia are using, and Flight Centre branded search and book apps in Australia and New Zealand

Online sales are growing, both in leisure and corporate travel.

In the leisure sector, FLT is working towards its goal of achieving $1billion in online leisure TTV globally this year, largely through flightcentre.com.au, SU and metasearch specialists BYOjet and Aunt Betty.

During the 2H, the popular CP range will be made available online via flightcentre.com.au, BYOjet and Aunt Betty will launch in Singapore and transactional Flight Centre branded websites will be rolled out in South Africa and the UAE.

FLT will not benefit fully in the short-term from its improvement initiatives, but is seeing returns on its investments as evidenced by its solid sales growth so far this year, growth into new geographies and sectors and the productivity gains that it is recording globally.

OUTLOOK

Although underlying 1H PBT was in line with expectations and sales and TTV growth appear to be accelerating, trading conditions globally remain uncertain and the external factors that significantly impacted 1H results - FX movements and airfare deflation - may continue throughout the 2H and slow bottom-line growth.

Given this ongoing uncertainty ahead of the company's busiest booking periods, FLT believes it is appropriate to amend its FY17 guidance to an underlying PBT between $300million and $330million (previously $320million - $355million).

As outlined above, risk factors include FX fluctuations and their possible impacts on consolidated overseas profits and the possibility of further significant year-on-year airfare deflation, which will make it more difficult to achieve the accelerated 2H TTV and revenue growth that FLT currently expects.

DIRECTORS' REPORT CONTINUED

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

OUTLOOK (CONTINUED)

Factors that are currently expected to drive 2H results include:

- Accelerated TTV growth if airfare pricing remains relatively stable. Given that widespread discounting began during the FY16 2H, the differences in average fares may decrease as the year progresses, which will see FLT achieve more rapid TTV growth if it maintains current ticket sales volumes
- A more stable trading environment and solid momentum heading into the period after an improved second quarter, particularly in the USA and Europe
- Comparatively stronger results from the touring businesses after a $9.6million reduction in 1H earnings stemming from FX shifts and operational issues (over capacity) during the peak European touring season
- Benefits from cost-control initiatives that are now in place; and
- Further productivity gains and cost-effective network expansion

DIVIDENDS – FLIGHT CENTRE TRAVEL GROUP LIMITED

FLT's directors today declared a 45.0 cents per share fully franked dividend payable on 13 April 2017 to shareholders registered on 23 March 2017. This represents a 61.0% return of after-tax profit to shareholders (58.1% of underlying NPAT), in line with FLT's current policy of returning 50-60% of after-tax profit, subject to the business's needs. The interim dividend paid for the half-year ended 31 December 2015 was 60.0 cents per share.

The board will continue to consider FLT's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet when determining future returns.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 2 February 2017, the group acquired assets and liabilities of Travel Tours Group (TTG), for cash consideration of INR189,800,000 ($3,714,002) and a 7.39% shareholding scrip in FCM India. TTG is a leading local travel group based in India operating five brands and focusing on retail, corporate, MICE, Forex, and wholesale. Refer to note 16 for further details.

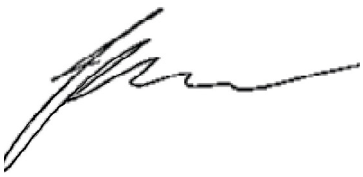
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding-off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.



G.F. Turner
Director

23 February 2017

[1] TTV is non-IFRS financial information and is not subject to audit or review procedures.

[2] Underlying PBT and PAT are non-IFRS measures. December 2016 underlying PBT excludes $4,066,000 relating to the loss on disposal of investment in Employment Office and underlying PAT also excludes the related tax impact of $303,000. December 2015 excludes the impact of the ACCC penalty refund of $11,000,000.

[3] FLT's 10 major regions are Australia, Europe, the USA (including Mexico), Canada, New Zealand, South Africa, Greater China, India, Singapore (including Malaysia) and the UAE.

[4] Outbound departures are based on travel dates, while FLT's sales are recorded when travel documents are issued

AUDITOR'S INDEPENDENCE DECLARATION

Ernst & Young
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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF FLIGHT CENTRE TRAVEL GROUP LIMITED

As lead auditor for the review of Flight Centre Travel Group Limited for the half-year ended 31 December 2016 I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Flight Centre Travel Group Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Alison de Groot
Partner
Brisbane

23 February 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		HALF-YEAR ENDED 31 DECEMBER	
REVENUE	**NOTES**	**2016 $'000**	**2015 $'000**
Revenue from the sale of travel services	4	1,235,972	1,243,104
Other revenue	4	15,011	15,088
Total revenue		**1,250,983**	**1,258,192**
Other income	5	2,332	9,731
Share of profit / (loss) of joint ventures and associates		1,449	993
EXPENSES			
Employee benefits		(689,945)	(689,226)
Sales and marketing		(105,304)	(96,271)
Rental expense relating to operating leases		(80,729)	(76,845)
Amortisation and depreciation		(36,054)	(30,987)
Finance costs		(12,086)	(13,085)
Other expenses	6	(221,495)	(205,650)
Profit before income tax expense		**109,151**	**156,852**
Income tax expense		(34,704)	(40,164)
Profit attributable to members of FLT		**74,447**	**116,688**
OTHER COMPREHENSIVE INCOME **Items that may be reclassified to profit or loss**			
Changes in the fair value of available-for-sale financial assets		-	(182)
Changes in the fair value of financial assets at FVOCI		(200)	-
Changes in the fair value of cash flow hedges		1,261	-
Net exchange differences on translation of foreign operations		1,438	6,610
Income tax on items of other comprehensive income		(318)	396
Other comprehensive income		**2,181**	**6,824**
Total comprehensive income for the year attributable to FLT		**76,628**	**123,512**
Earnings per share for profit attributable to the ordinary equity holders of the company:		**CENTS**	**CENTS**
Basic earnings per share	12	73.7	115.7
Diluted earnings per share	12	73.5	115.7

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	HALF-YEAR ENDED 31 DECEMBER 2016 $'000	2015 $'000
Receipts from customers[1]		1,267,902	1,311,149
Payments to suppliers and employees[1]		(1,351,324)	(1,344,920)
Royalties received		124	224
Interest received		12,608	13,396
Interest paid		(12,961)	(13,785)
Income taxes paid		(63,056)	(62,786)
Net cash (outflow) from operating activities		**(146,707)**	**(96,722)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries and associates, net of cash acquired	2d	(15,848)	(44,345)
Payments for property, plant and equipment		(52,561)	(47,547)
Payments for intangibles		(13,171)	(10,647)
Payments for the purchase of financial asset investments		-	(39,000)
Proceeds from sale of financial asset investments		8,758	10,000
Dividends received from joint ventures		-	630
Loans advanced to related parties		(3,507)	(1,925)
Net cash (outflow) from investing activities		**(76,329)**	**(132,834)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		23,854	13,302
Repayment of borrowings		(9,294)	(25,411)
Proceeds from issue of shares		2,041	1,746
Dividends paid to company's shareholders	10	(92,873)	(97,817)
Net cash (outflow) from financing activities		**(76,272)**	**(108,180)**
Net increase / (decrease) in cash held		**(299,308)**	**(337,736)**
Cash and cash equivalents at the beginning of the half year		1,315,386	1,377,985
Effects of exchange rate changes on cash and cash equivalents		(7,939)	1,292
Cash and cash equivalents at end of the half year	7	**1,008,139**	**1,041,541**

[1] Including GST

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

BALANCE SHEET

ASSETS Current assets	NOTES	AS AT 31 DECEMBER 2016 $'000	AS AT 30 JUNE 2016 $'000
Cash and cash equivalents	7	1,009,595	1,315,984
Financial asset investments	8	197,457	204,525
Trade and other receivables		670,149	672,176
Other assets		58,168	58,541
Current tax receivables		26,487	5,860
Inventories		1,201	1,718
Derivative financial instruments		7,696	4,429
Total current assets		**1,970,753**	**2,263,233**
Non-current assets			
Property, plant and equipment		263,591	216,239
Intangible assets	2	463,096	445,688
Investments in joint ventures and associate	3	26,206	14,970
Deferred tax assets		60,285	55,675
Other financial assets		9,161	5,511
Total non-current assets		**822,339**	**738,083**
Total assets		**2,793,092**	**3,001,316**

LIABILITIES Current liabilities			
Trade and other payables		1,184,634	1,429,572
Contingent consideration	13	4,732	5,255
Borrowings		91,904	76,845
Provisions		38,636	38,116
Current tax liabilities		2,099	9,191
Derivative financial instruments		8,895	7,745
Total current liabilities		**1,330,900**	**1,566,724**
Non-current liabilities			
Trade and other payables		77,268	47,522
Contingent consideration	13	5,161	2,537
Provisions		35,535	30,572
Deferred tax liabilities		9,559	8,016
Total non-current liabilities		**127,523**	**88,647**
Total liabilities		**1,458,423**	**1,655,371**
Net assets		**1,334,669**	**1,345,945**

EQUITY			
Contributed equity	11	400,979	399,236
Reserves		29,517	24,110
Retained profits		904,173	922,599
Total equity		**1,334,669**	**1,345,945**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

	NOTES	CONTRIBUTED EQUITY $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL $'000
		FOR THE HALF-YEAR ENDED 31 DECEMBER			
BALANCE AT 1 JULY 2015		395,677	36,959	837,485	1,270,121
Profit for the half year		-	-	116,688	116,688
Other comprehensive income		-	6,824	-	6,824
Total comprehensive income for the half year		-	6,824	116,688	123,512
Transactions with owners in their capacity as owners:					
Employee share-based payments		1,772	304	-	2,076
Acquisition reserve		-	(12,678)	-	(12,678)
Dividends provided for or paid	10	-	-	(97,817)	(97,817)
Balance at 31 December 2015		397,449	31,409	856,356	1,285,214
BALANCE AT 1 JULY 2016		399,236	24,110	922,599	1,345,945
Profit for the half year		-	-	74,447	74,447
Other comprehensive income		-	2,181	-	2,181
Total comprehensive income for the half year		-	2,181	74,447	76,628
Transactions with owners in their capacity as owners:					
Employee share-based payments		1,743	3,226	-	4,969
Dividends provided for or paid	10	-	-	(92,873)	(92,873)
Balance at 31 December 2016		400,979	29,517	904,173	1,334,669

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT MATTERS IN THE CURRENT REPORTING PERIOD

The following significant events and transactions occurred during the half-year ended 31 December 2016:

ACQUISITIONS

- On 16 December 2016, FLT acquired a 100% interest in the Travellink AB corporate business operating in the Nordics (Nordics) and the Opodo Limited corporate businesses operating in Germany (Germany) for consideration of €4,234,000 ($6,055,000).

  These are corporate travel businesses operating across Sweden, Denmark, Norway, Finland and Germany. The acquisition allows FLT to continue its European expansion plans and provides FLT with an immediate footprint in these markets. This region is an important market to help secure multinational corporate clients.

  Refer to note 2 for further details.

- On 2 February 2017, FLT acquired assets and liabilities of Travel Tours Group (TTG), for cash consideration of INR189,800,000 ($3,714,002) and a 7.39% shareholding scrip in FCM India. TTG is a leading local travel group based in India operating five brands and focusing on retail, corporate, MICE, Forex, and wholesale. Preliminary agreement was made in October 2016 and finalised in February upon completion of the conditions precedent.

  Due to the timing of the TTG acquisition it has not been possible to complete the necessary work on purchase price accounting. FLT is still in the process of reviewing the acquisition date balance sheet, to ensure accounting policies are aligned and any due diligence adjustments are appropriately included.

  Refer to note 16 for further details.

INVESTMENT IN ASSOCIATE

- On 14 September 2016, FLT invested $9,800,000 in the Ignite Travel Group Limited (Ignite) for a 49% share of the equity. Ignite specialise in the development and distribution of innovative leisure market models including exclusively curated holiday packages, travel vouchers and rewards programs. Ignite are a group of private entities that are not listed on any public exchange.

  FLT's investment in Ignite is accounted for using the equity method in the consolidated financial statements.

  Refer to note 3 for further details.

INVESTMENT IN EMPLOYMENT OFFICE

- On 21 February 2017, FLT finalised discussions which commenced in late 2016 and exited its investment in Employment Office. This resulted in FLT selling its 50% interest to Recruitment Investments Pty Ltd, with a loss on disposal of $4,066,000.

  Refer to note 6 for further details.

OTHER MATTERS

- On 14 December 2016, the High Court of Australia ruled in favour of the ACCC ending the long running competition law case that the ACCC initiated against FLT. This judgement overturned the unanimous Full Federal Court judgement in FLT's favour handed down in July 2015. The initial penalty of $11,000,000 was returned to FLT upon unanimous successful appeal at the Full Federal Court in August 2015.

  The Full Federal Court will hear the parties' submissions on penalties by May 2017 and a penalty will be subsequently determined. In addition to this, FLT is also liable for part of the ACCC's legal costs. The final penalty and ACCC legal costs have not been provided for as they are not considered to be reliably measurable.

1 SEGMENT INFORMATION

(A) BASIS OF SEGMENTATION AND MEASUREMENT

The basis of segmentation and measurement of segment profit or loss has not changed since the 30 June 2016 annual financial statements.

(B) SEGMENT INFORMATION PRESENTED TO THE BOARD OF DIRECTORS AND GLOBAL TASK FORCE

The segment information provided to the board and global task force for the reportable segments for the half-years ended 31 December 2016 and 31 December 2015 is shown in the following tables:

31 DECEMBER 2016	AUSTRALIA[3] $'000	UNITED STATES $'000	EUROPE[4] $'000	REST OF WORLD $'000	OTHER SEGMENT[5] $'000	TOTAL $'000
Segment information						
TTV[1]	5,084,218	1,333,061	919,270	1,826,090	180,640	9,343,279
Total segment revenue	684,350	157,810	135,565	217,413	129,895	1,325,033
Inter-segment revenue	(43,559)	(12,671)	(7,528)	(10,292)	-	(74,050)
Revenue from external customers	640,791	145,139	128,037	207,121	129,895	1,250,983
Statutory EBITDA	126,263	(2,445)	22,969	9,339	(12,282)	143,844
Depreciation and amortisation	(21,001)	(3,238)	(3,844)	(6,841)	(1,130)	(36,054)
Statutory EBIT	105,262	(5,683)	19,125	2,498	(13,412)	107,790
Interest income	552	509	1,006	4,347	7,033	13,447
BOS interest expense	(7,610)	(163)	(1,442)	(1,507)	(181)	(10,903)
Other interest expense	(653)	(437)	(227)	(1,488)	1,856	(949)
Other non-material items	(211)	-	(10)	(13)	-	(234)
Net profit before tax and royalty	97,340	(5,774)	18,452	3,837	(4,704)	109,151
Royalty	5,268	-	(4,996)	(272)	-	-
Net profit before tax and after royalty	102,608	(5,774)	13,456	3,565	(4,704)	109,151
Reconciliation of Statutory EBIT to Adjusted EBIT						
Statutory EBIT	105,262	(5,683)	19,125	2,498	(13,412)	107,790
Interest income[2]	573	-	3	948	5,075	6,599
BOS interest expense	(7,610)	(163)	(1,442)	(1,507)	(181)	(10,903)
Net FX (gains) / losses on intercompany loans	-	-	-	-	1,715	1,715
Loss on disposal of joint venture	-	-	-	-	4,066	4,066
Other non-material items	-	-	-	(2)	(382)	(384)
Adjusted EBIT / Segment Result	98,225	(5,846)	17,686	1,937	(3,119)	108,883
Shop numbers[1]	1,554	290	300	787	6	2,937

[1] TTV and shop numbers are non-IFRS financial information and are not subject to audit or review procedures.

[2] Land wholesale interest only.

[3] The results of the Ignite investment in associate are shown in the Australia segment.

[4] The results of the Nordics and Germany acquisition will be shown in the Europe segment.

[5] Other segment includes Brisbane-based support businesses that support the global network. It also includes individual businesses, not part of a larger group, that report directly to the Brisbane head office.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 SEGMENT INFORMATION (CONTINUED)

31 DECEMBER 2015	AUSTRALIA $'000	UNITED STATES $'000	EUROPE $'000	REST OF WORLD $'000	OTHER SEGMENT[3] $'000	TOTAL $'000
Segment information						
TTV[1]	4,860,307	1,260,371	1,092,376	1,781,149	187,895	9,182,098
Total segment revenue	677,822	150,850	161,806	215,130	139,913	1,345,521
Inter-segment revenue	(55,783)	(8,962)	(8,650)	(13,934)	-	(87,329)
Revenue from external customers	622,039	141,888	153,156	201,196	139,913	1,258,192
Statutory EBITDA	139,935	(2,685)	28,036	10,882	11,807	187,975
Depreciation and amortisation	(18,318)	(2,257)	(3,771)	(5,592)	(1,049)	(30,987)
Statutory EBIT	121,617	(4,942)	24,265	5,290	10,758	156,988
Interest income	318	366	1,067	3,745	7,453	12,949
BOS interest expense	(8,722)	(11)	(1,443)	(1,607)	(623)	(12,406)
Other interest expense	(230)	(295)	(176)	(1,478)	1,812	(367)
Other non-material items	(306)	-	(11)	5	-	(312)
Net profit before tax and royalty	112,677	(4,882)	23,702	5,955	19,400	156,852
Royalty	3,513	-	(2,868)	(645)	-	-
Net profit before tax and after royalty	116,190	(4,882)	20,834	5,310	19,400	156,852
Reconciliation of Statutory EBIT to Adjusted EBIT						
Statutory EBIT	121,617	(4,942)	24,265	5,290	10,758	156,988
Interest income[2]	477	-	-	1,144	5,669	7,290
BOS interest expense	(8,722)	(11)	(1,443)	(1,607)	(623)	(12,406)
Net FX (gains) / losses on intercompany loans	-	15	-	-	(578)	(563)
ACCC penalties refund	-	-	-	-	(11,000)	(11,000)
Other non-material items	-	-	-	-	(693)	(693)
Adjusted EBIT / Segment Result	113,372	(4,938)	22,822	4,827	3,533	139,616
Shop numbers[1]	1,568	326	295	750	4	2,943

[1] TTV and shop numbers are non-IFRS financial information and are not subject to audit or review procedures.

[2] Land wholesale interest only.

[3] Other segment includes Brisbane-based support businesses that support the global network. It also includes individual businesses, not part of a larger group, that report directly to the Brisbane head office.

2 BUSINESS COMBINATIONS

(A) CURRENT YEAR ACQUISITIONS

NORDICS AND GERMANY

(i) Summary of acquisition

On 16 December 2016, FLT acquired a 100% interest in the Travellink AB corporate business operating in the Nordics (Nordics) and the Opodo Limited corporate businesses operating in Germany (Germany) for consideration of €4,234,000 ($6,055,000).

These are corporate travel businesses operating across Sweden, Denmark, Norway, Finland and Germany. The acquisition allows FLT to continue its European expansion plans and provides FLT with an immediate footprint in these markets. This region is an important market to help secure multinational corporate clients.

Details of the purchase consideration, the net assets acquired and provisional goodwill are as follows:

PURCHASE CONSIDERATION	AS AT ACQUISITION DATE $'000
Cash paid	6,055
Total purchase consideration	**6,055**

The assets and liabilities provisionally recognised as a result of the acquisition are as follows:

Fair value of net identifiable assets acquired	7
Goodwill arising on acquisition[1]	6,048
Net assets acquired	**6,055**

[1] Goodwill arising on acquisition is provisional pending the results of audit and valuation of the acquired intangible assets (online booking tool).

(ii) Purchase consideration - cash outflow

Cash consideration	6,055
Less: balances acquired	(7)
Total outflow of cash - investing activities	**6,048**

(iii) Assets and liabilities acquired

FLT has provisionally recognised the fair values of Nordics and Germany's identifiable assets and liabilities at acquisition date, based upon the best information available at the reporting date and may change as more information becomes available. The assets and liabilities provisionally recognised as a result of the acquisition are as follows:

Cash and cash equivalents	7
Trade and other receivables	2
Other assets	53
Intangible assets	2,727
Property, plant and equipment	32
Trade and other payables	(2,814)
Total assets and liabilities acquired	**7**

(iv) Revenue and profit contribution

Had the acquisition occurred on 1 July 2016, revenue and profit contribution for the half-year ended 31 December 2016 would have been $4,162,000 and $427,000 respectively.

Nordics and Germany will be reported within the Europe segment (note 1). There is no profit impact recorded for the half year ended 31 December 2016, as the 15 days of trading are not considered material.

2 BUSINESS COMBINATIONS (CONTINUED)

(A) CURRENT YEAR ACQUISITIONS (CONTINUED)

NORDICS AND GERMANY (CONTINUED)

(v) Acquisition costs

Acquisition-related costs of $710,000 have been recognised in the statement of profit or loss and other comprehensive income (other expenses) and in operating cash flows in the statement of cash flows (payments to suppliers and employees).

(vi) Goodwill

The goodwill, once finalised, represents the value to FLT of obtaining instant access to corporate business in the Nordic and German markets. This region is an important market to help secure multinational corporate clients.

The acquisition also provides access to a proprietary online booking tool with superior speed and usability. The valuation of which is yet to be finalised, with adjustments expected to the fair value of assets acquired and hence goodwill.

(B) PRIOR YEAR ACQUISITIONS

The purchase price accounting for Studentuniverse.com, Koch Overseas, AVMIN Pty Ltd, Worldwide Aviation Services, BYOjet.com, Maya Events and Business Travel Development has been finalised with no significant changes.

(C) RECONCILIATION OF INTANGIBLE ASSETS MOVEMENT

	NOTES	GOODWILL $'000	BRAND NAMES AND CUSTOMER RELATIONSHIPS $'000	INTERNALLY GENERATED AND OTHER INTANGIBLE ASSETS $'000	TOTAL $'000
Balance at 1 July 2016		365,031	14,120	66,537	445,688
Additions		-	796	10,456	11,252
Acquisitions	2a	6,048	-	2,727	8,775
Disposals		-	-	(157)	(157)
Amortisation		-	(96)	(5,678)	(5,774)
Exchange differences		2,888	29	395	3,312
Balance at 31 December 2016		373,967	14,849	74,280	463,096

On 24 October 2016, FLT gained effective control over 100% of Shenzhen Sunny Holiday International Travel Agency Co., Ltd. through the SPA and other contracts entered into as part of the transaction. The entity does not have any operations, only an outbound licence to sell travel in mainland China. The outbound licence enables FLT to sell a full corporate and leisure offering in China. The consideration paid by FLT for the transaction was $796,000. This is included in additions above.

(D) RECONCILIATION TO CASH FLOW STATEMENT

Acquisition of subsidiary - net cash outflow	2a (ii)	6,048
Investment in associate	3 (iii)	9,800
Total outflow of cash - investing activities		15,848

3 INVESTMENT IN JOINT VENTURES AND ASSOCIATE

During the period FLT invested in the Ignite Travel Group (Ignite) representing an Investment in Joint Ventures and Associate. Accordingly, the relevant disclosures for the new investment in associate are presented below.

On 21 February 2017 FLT sold its 50% interest in Employment Office. Refer to note 6 for further details.

There have been no significant movements in FLT's other investments in joint ventures.

IGNITE TRAVEL GROUP LIMITED

(i) Summary of investment in associate

On 14 September 2016, FLT invested $9,800,000 in Ignite for a 49% share of the equity. Ignite specialise in the development and distribution of innovative leisure market models including exclusively curated holiday packages, travel vouchers and rewards programs. Ignite are a group of private entities incorporated and domiciled in Australia that are not listed on any public exchange. FLT's investment in Ignite is accounted for using the equity method in the consolidated financial statements.

The tables below summarise the financial information of FLT's investment in Ignite taking into account any material differences in accounting policies.

	HALF-YEAR ENDED 31 DEC 2016 $'000
Current assets	18,958
Non-current assets	1,791
Current liabilities	(19,115)
Non-current liabilities	(417)
Equity	**1,217**

Revenue from the sale of travel services	3,941
Profit before tax	(9)
Income tax expense	-
Profit for the period	(9)
Total comprehensive income for the year	(9)

From the date of investment by FLT, Ignite has no other comprehensive income and has not discontinued any operations.

Ignite had no contingent liabilities or capital commitments as at 31 December 2016.

(ii) Contractual commitments

The Ignite share sale agreement has a number of tranches. FLT's purchase of 49% was tranche 1. Subsequent tranches will potentially occur in future financial years and are based on Ignite's earnings and time hurdles being met.

Details of each subsequent tranche are:

- Tranche 2 obliges FLT to acquire a further 2% of Ignite's share capital upon finalisation of the June 2017 audit.
- Tranche 3 obliges FLT to acquire an additional 24% of Ignite's share capital upon finalisation of the June 2019 audit.
- Tranche 4 obliges Ignite's original owners to grant FLT a call option and FLT to grant the Ignite original owners a put option over the remaining 25% of Ignite's share capital.

The contract also grants Ignite's original owners a conditional put option at the end of June 2018 which is highly unlikely to be granted.

As at 31 December 2016, no liability has been accrued for these future tranches as the tranches are not yet exercisable and any related derivatives are deemed to have no significant value.

3 INVESTMENT IN JOINT VENTURES AND ASSOCIATE (CONTINUED)

IGNITE TRAVEL GROUP LIMITED (CONTINUED)

(iii) Reconciliation of investment in associate

The table below provides a reconciliation of the investment in associate:		HALF-YEAR ENDED 31 DEC 2016 $'000
Initial investment - 49% share		9,800
Contingent payment	13a (iii)	2,604
FLT's share of profit / (loss) for the period		(4)
Carrying value of investment in associate		12,400

4 REVENUE

	HALF-YEAR ENDED	
REVENUE FROM THE SALE OF TRAVEL SERVICES	31 DEC 2016 $'000	31 DEC 2015 $'000
Commission and fees from the provision of travel	868,378	876,682
Revenue from the provision of travel	289,672	286,755
Revenue from tour operations	26,455	24,672
Revenue from other operations[1]	51,467	54,995
Total revenue from the sale of travel services	1,235,972	1,243,104
OTHER REVENUE		
Rents and sub-lease rentals	1,307	1,920
Interest	13,447	12,949
Royalties	257	219
Total other revenue	15,011	15,088

[1] Revenue from other operations for the period ended 31 December 2015 includes the ACCC penalties refund of $11,000,000 received during the period.

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 requirements have been met for each of the group's activities*

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of travel services is recognised as set out below.

REVENUE FROM THE SALE OF TRAVEL SERVICES

Revenue from the sale of travel services is recorded when travel documents are issued, consistent with an agency relationship.

Revenue relating to volume incentives is recognised at the amount receivable when annual targets are likely to be achieved.

Revenue from tour operations is derived from the Top Deck Tours Limited and Back Roads Touring Co. Limited companies. It is recognised upon tour departure, net of associated cost of sales.

5 OTHER INCOME

	HALF-YEAR ENDED	
	31 DEC 2016 $'000	31 DEC 2015 $'000
Net foreign exchange gains - realised	2,332	9,731
Total other income	2,332	9,731

6 OTHER EXPENSES

		HALF-YEAR ENDED	
		31 DEC 2016 $'000	31 DEC 2015 $'000
Other occupancy costs		32,131	31,917
Consulting fees		35,039	30,462
Communication and IT		45,033	36,972
Net foreign exchange losses - unrealised		2,413	6,435
Loss on disposal of Employment Office	6(a)	4,066	-
Other expenses		102,813	99,864
Total other expenses		**221,495**	**205,650**

(A) LOSS ON DISPOSAL OF EMPLOYMENT OFFICE

On 21 February 2017, FLT finalised discussions which commenced in late 2016 and exited its investment in Employment Office. This resulted in FLT selling its 50% interest to Recruitment Investments Pty Ltd, with a loss on disposal of $4,066,000.

7 CASH AND CASH EQUIVALENTS

	AS AT 31 DEC 2016 $'000	AS AT 30 JUNE 2016 $'000
General cash at bank and on hand	346,850	506,703
Client cash	662,745	809,281
Total cash and cash equivalents	**1,009,595**	**1,315,984**
RECONCILIATION TO STATEMENT OF CASH FLOWS		
Cash and cash equivalents	1,009,595	1,315,984
Bank overdraft	(1,456)	(598)
Balance per Statement of Cash Flows	**1,008,139**	**1,315,386**

FLT's global cash and investment portfolio as at 31 December 2016 totalled $1,207,052,000 (30 June 2016: $1,520,509,000). This represents cash and cash equivalents and financial asset investments.

8 FINANCIAL ASSET INVESTMENTS

	AS AT 31 DEC 2016 $'000	AS AT 30 JUNE 2016 $'000
Equity securities - Fair value through profit or loss (FVTPL)	392	-
Debt securities - Fair value through profit or loss (FVTPL)	-	8,742
Debt securities - Fair value through other comprehensive income (FVOCI)	101,377	100,094
Debt securities - Amortised cost	22,688	36,689
Repurchase receivable - Amortised cost	73,000	59,000
Total financial asset investments	**197,457**	**204,525**

Debt securities at FVOCI are measured at fair value, which is determined by reference to price quotations in a market for identical assets. As the assets are not heavily traded, FLT has determined that they are classified as Level 2 (2015: Level 2) under the AASB 13 Fair value measurement hierarchy, based on the valuation technique as described above.

Debt securities and repurchase receivables at amortised cost are measured using the effective interest rate method, which approximates fair value.

Debt securities are not heavily traded.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 NET DEBT

NET DEBT	NOTES	AS AT 31 DEC 2016 $'000	AS AT 30 JUNE 2016 $'000
General cash at bank and on hand	7	346,850	506,703
General financial investments - equity FVTPL and debt FVOCI	8	101,769	100,094
		448,619	606,797
LESS:			
Borrowings - current		91,904	76,845
Positive net debt[1]		356,715	529,952

FLT is currently in a positive net debt position.

[1] Net debt = (general cash + general investments) – (current + non-current borrowings). The calculation excludes client cash and client financial asset investments.

10 DIVIDENDS

OVERVIEW

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

While payments may vary from time to time according to these anticipated needs, FLT aims to return to shareholders approximately 50 - 60% of net profit after income tax (NPAT).

The proposed interim dividend has been declared taking into account traditional seasonal cash flows, anticipated cash outflows and the one-off profit items.

The interim dividend payment represents a $45,443,000 (2015: $60,537,000) return to shareholders, 61.0% (2015: 51.9%) of FLT's statutory NPAT. It represents 58.1% (2015: 57.3%) of FLT's underlying NPAT[1].

	HALF-YEAR ENDED	
ORDINARY SHARES	31 DEC 2016 $'000	31 DEC 2015 $'000
Final fully franked ordinary dividend for the year ended 30 June 2016 of 92.0 cents (2015: 97.0) per fully paid share.	92,873	97,817

DIVIDENDS NOT RECOGNISED AT THE END OF THE HALF YEAR		
Since half-year end, the directors have recommended an interim dividend of 45.0 cents (2015: 60.0 cents) per fully paid ordinary share fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 13 April 2017 out of retained profits at 31 December 2016, but not recognised as a liability at the end of the half year is:	45,443	60,537

[1] Underlying NPAT is a non-IFRS measure. December 2016 underlying PBT excludes $4,066,000 relating to the loss on disposal of investment in Employment Office and underlying PAT also excludes the related tax impact of $303,000. December 2015 excludes the ACCC penalties refund of $11,000,000.

11 CONTRIBUTED EQUITY

OVERVIEW

The movements in contributed equity during the period related to shares issued under the ESP. This reinforces the importance that FLT places on ownership to drive business improvement and overall results.

RECONCILIATION OF ORDINARY SHARE CAPITAL

The following reconciliation summarises the movements in issued capital during the period.

Issues of a similar nature have been grouped and the issue price shown is the weighted average. Detailed information on each issue of shares is publicly available via the ASX.

DETAILS	NUMBER OF AUTHORISED SHARES	WEIGHTED AVERAGE ISSUE PRICE	$'000
Opening Balance - 1 July 2015	100,822,383		395,677
Employee Share Plan	49,543	$35.77	1,772
Employee Share Plan Matched Shares	2,037	$0.00	-
Closing Balance - 31 December 2015	100,873,963		397,449
Opening Balance - 1 July 2016	100,927,520		399,236
Employee Share Plan	52,249	$33.36	1,743
Employee Share Plan Matched Shares	3,614	$0.00	-
Closing Balance - 31 December 2016	100,983,383		400,979

12 EARNINGS PER SHARE

OVERVIEW

Statutory earnings per share (EPS) was 73.7 cents (2015: 115.7 cents), down 36.3% (2015: up 16.1%) on the prior comparative period. At an underlying level[1], EPS decreased 26.0% (2015: increased 8.0%) to 77.5 cents (2015: 104.8 cents).

	HALF-YEAR ENDED	
BASIC EARNINGS PER SHARE	31 DEC 2016 CENTS	31 DEC 2015 CENTS
Profit attributable to the ordinary equity holders of the company	73.7	115.7
DILUTED EARNINGS PER SHARE		
Profit attributable to the ordinary equity holders of the company	73.5	115.7

RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE	$'000	$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	74,447	116,688

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR	NUMBER	NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	100,951,527	100,845,363
Adjustments for calculation of diluted earnings per share:		
Rights	323,325	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	101,274,852	100,845,363

[1] Underlying EPS is a non-IFRS measure and is not subject to audit or review procedures. Refer to note 10 for breakdown of underlying NPAT used in the calculation of underlying EPS.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(A) FAIR VALUE HIERARCHY

There have been no changes to the classification of financial instruments within the fair value hierarchy from 30 June 2016. All financial instruments are stated at their carrying amount, which approximates fair value with the exception of debt securities measured at fair value through other comprehensive income (FVOCI). The valuation techniques of financial instruments are described below:

DEBT SECURITIES

Refer to note 8 for valuation techniques of financial asset investments.

DERIVATIVE FINANCIAL INSTRUMENTS - FORWARD FOREIGN EXCHANGE CONTRACTS

Forward foreign exchange contracts are measured based on observable forward foreign exchange rates, and the retrospective currencies' yield curves, as well as the currency basis spreads between the respective currencies. The forward foreign exchange contracts are classified as Level 2 (2015: Level 2) under the AASB 13 Fair value measurement hierarchy, based on the valuation technique as described above.

Contingent consideration

Contingent consideration (including put and call options) is recognised in relation to the acquisition of Top Deck Tours Limited, BYOjet, AVMIN Pty Ltd and Ignite. FLT has determined that it is classified as Level 3 (2015: Level 3) under the AASB 13 Fair value measurement hierarchy.

The main valuation inputs in determining the fair value of the put options are the estimates of EBITDA compound annual growth rate (CAGR) and probabilities in the year in which the options will be exercised. Since both of these estimates are unobservable inputs, the fair value of the put option is classified as a Level 3 fair value.

Any changes in the fair value of these liabilities are recorded through other income or other expenses in the statement of profit or loss and other comprehensive income.

(i) Top Deck Tours Limited (TDT)

The financial liability related to the put option for TDT has been recorded as part of current contingent consideration as it is now available to exercise at either parties' discretion. The fair value of this liability has been estimated by discounting future expected cash flows for the settlement of the put and call options at a discount rate of 2.0%. The expected cash flows are based on the probability-adjusted TDT EBITDA of between £5,200,000 and £5,700,000 at the expected date of exercise.

(ii) BYOjet and AVMIN

The financial liability related to the put option for both BYOjet ($1,395,000) and AVMIN ($1,080,000) has been recorded as part of non-current contingent consideration. The fair value of this liability has been estimated by discounting the value of future expected cash flows for the settlement of the put and call options at a discount rate of 2.0% for BYOjet and 2.1% for AVMIN. The expected cash flows are based on the probability-adjusted EBITDA of each company of between $1,740,000 and $3,000,000 (BYOjet); $398,000 and $834,000 (AVMIN) at the expected date of exercise.

(iii) Ignite Travel Group

The financial liability related to the earn out payment for Ignite ($2,604,000) has been recorded as part of non-current contingent consideration. The potential undiscounted amount payable per the share sale agreement is between $nil and $2,604,000. The calculation is based on a multiple of the estimated final audited 30 June 2018 consolidated EBITDA.

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(A) FAIR VALUE HIERARCHY (CONTINUED)

Reconciliation of Level 3 contingent consideration for the period is set out below:

	NOTES	CONTINGENT CONSIDERATION $'000
Opening balance 1 July 2016		**7,792**
New business combinations / investments in associates	3	2,604
Unrealised (gains) / losses recognised in the statement of profit or loss and other comprehensive income		(297)
Realised (gains) / losses recognised in the statement of profit or loss and other comprehensive income		(206)
Closing balance 31 December 2016		**9,893**

Current contingent consideration	4,732
Non-current contingent consideration	5,161
Total contingent consideration	**9,893**

(B) FAIR VALUES OF OTHER FINANCIAL INSTRUMENTS

The group also has a number of financial instruments which are not measured at fair value in the balance sheet.

The carrying amount of the group's non-current receivables, and current and non-current borrowings, approximates their fair values, as commercial rates of interest are earned and paid respectively and the impact of discounting is not significant.

The carrying amount of cash, current receivables and current payables are assumed to approximate their fair value due to their short term nature.

14 CONTINGENT ASSETS AND LIABILITIES

ACCC COMPETITION LAW TEST CASE

On 14 December 2016, the High Court of Australia ruled in favour of the ACCC ending the long running competition law case that the ACCC initiated against FLT. This judgement overturned the unanimous Full Federal Court judgement in FLT's favour handed down in July 2015. The initial penalty of $11,000,000 was returned to FLT upon unanimous successful appeal at the Full Federal Court in August 2015.

The Full Federal Court will hear the parties' submissions on penalties by May 2017 and a penalty will be subsequently determined. In addition to this, FLT is also liable for part of the ACCC's legal costs. The final penalty and ACCC legal costs have not been provided for as they are not considered to be reliably measurable.

GENERAL CONTINGENCIES

FLT is a global business and from time to time in the ordinary course of business it receives enquiries from various regulators and government bodies. FLT cooperates fully with all enquiries and these enquiries do not require disclosure in their initial state, however, should the company become aware that an enquiry is developing further, appropriate disclosure is made in accordance with the relevant accounting standards.

The group has no other material contingent assets or liabilities.

15 COMMITMENTS

IGNITE

The Ignite share sale agreement has a number of tranches. Refer to note 3 for further details.

AIRTREE

During the period FLT signed an agreement with AirTree Ventures 2 Partnership LP to invest $5,000,000 into the venture capital fund. As at 31 December 2016 FLT has only received capital calls to the value of $392,000 leaving $4,608,000 to be called in the future. FLT has no control or managerial involvement in the running of the venture capital fund and the total contribution of $5,000,000 is less than 4% of the total capital in the fund.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

TRAVEL TOURS GROUP

SUMMARY OF ACQUISITION

On 2 February 2017, the group acquired assets and liabilities of Travel Tours Group (TTG), a company based in India and focusing on retail, corporate, MICE, Forex, and wholesale. The group acquired TTG as the business offers exposure to the important South Indian markets of Bangalore and Chennai.

The purchase consideration consists of:

- Cash of INR189,800,000 ($3,714,002)
- Upon approval from the High Court of Mumbai of the demerger of the Forex business, FCM India will issue shares equal to 7.39% of the company

The initial accounting for the business combination is incomplete at the time the financial report was authorised for issue as there was insufficient time to complete.

Acquisition-related costs

Initial acquisition-related costs of $401,000 have been recognised in the statement of profit or loss and other comprehensive income (other expenses) and in operating cash flows in the statement of cash flows (payments to suppliers and employees).

DIVIDEND

On 23 February 2017, FLT's directors declared a dividend for the year ended 31 December 2016. Refer to note 10 for details.

OTHER MATTERS

There are no other significant events after the end of the reporting period which have come to our attention.

17 SEASONALITY

Due to the seasonal nature of a number of key segments, higher revenues and operating profits are expected in the second half of the year compared with the first six months. This is impacted by:

- Higher leisure sales in the lead up to the northern hemisphere summer holidays, particularly in the United States and Canada
- Higher leisure sales during the Australian expo seasons, typically held in the second half; and
- Lower sales in the corporate travel agency businesses over the Christmas holiday period.

This is partially offset by the seasonality of the touring businesses which earn the majority of their profits in the northern hemisphere summer holiday period, which falls in the first six months.

This information is provided to allow for a proper appreciation of the results, however management have concluded that this does not constitute "highly seasonal" as considered by AASB 134 Interim Financial Reporting.

18 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Flight Centre Travel Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and *ASX Listing Rules*.

The accounting policies adopted are consistent with those applied at 30 June 2016. On 1 January 2016 FLT early adopted AASB 9 *Financial Instruments*, as such, in the corresponding interim period FLT applied AASB 139 *Financial Instruments: Recognition and Measurement*. The impact of the transition from AASB 139 to AASB 9 was disclosed in the 30 June 2016 financial statements. In accordance with the transitional requirements, comparatives have not been restated.

RECLASSIFICATION

Certain prior period amounts have been reclassified to conform to the current period's presentation.

18 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(B) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New or amended standards that became applicable to FLT for the first time for the 31 December 2016 interim half-year report did not result in a change to the group's accounting policies or require any retrospective adjustments.

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2016 reporting period, as outlined below:

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 was issued by the AASB in December 2014 and replaces virtually all revenue recognition requirements, including those as set out in AASB 118 *Revenue*. The standard contains a single model that applies to all revenue arising from contracts, unless the contracts are in the scope of other standards (eg leases). The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets.

The standard comes into effect 1 January 2018. This means it will be applied to the reporting period ending 30 June 2019, with the comparative period ending 30 June 2018. FLT does not intend to adopt the standard before its operative date.

Implementation

Management are progressing through the project plan established in 2016, with updates regularly shared with the board and external auditors.

Current contracts and contracts in negotiation, for material revenue in FLT's core geographies, are being assessed against AASB 15 requirements. Management have also engaged with external consultants to assist in the review of these contracts.

The outcome of these assessments will determine, if any, accounting changes required.

As part of the plan, management are engaging with the wider business in the AASB 15 discussions and are considering any IT requirements as part of the new IT system development.

In future stages of the implementation project, FLT plan to develop and test systems, internal controls, policies and procedures necessary to collect and disclose the required information.

Disclosure

AASB 15 provides presentation and disclosure requirements, which are more detailed than under current AASB 118.

The presentation requirements represent a change from current practice and may increase the volume of disclosures required in FLT financial statements. Many of the disclosure requirements in AASB 15 are new.

Under the project plan, once the accounting policies have been finalised, the disclosure requirements will be assessed.

AASB 16 LEASES

AASB 16 was issued by the AASB in February 2016. Due to the large number of operating leases held by FLT for its global shop network and corporate offices, this standard will have a significant impact on the group.

The key features of the new standard are:

- elimination of classification of leases as either operating leases or finance leases for a lessee
- the recognition of lease assets and liabilities on the balance sheet, initially measured at present value of unavoidable future lease payments
- recognise depreciation of lease assets and interest on lease liabilities on the income statement over the lease term
- separation of the total amount of cash paid into a principal portion and interest in the cash flow statement
- short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements

The new standard will be effective for annual reporting periods beginning on or after 1 January 2019, which means that it will be applied in the reporting period ending 30 June 2020. FLT does not intend to adopt the standard before its operative date.

Management had previously conducted reviews of the impact of the proposed standard. The gross-up of the balance sheet and the impact to EBIT and EBITDA under the proposed standard had been considered during negotiations of major contracts. Now the standard has been issued in full, management are developing a project plan, which includes an in-depth review of the requirements and steps for implementation.

The outcome of these assessments will determine the impact of the changes.

There are no other standards that have been issued but are not yet effective and that are expected to have a material financial impact on the entity in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Flight Centre Travel Group Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of Flight Centre Travel Group Limited for the half-year ended 31 December 2016 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

On behalf of the board

G.F. Turner
Director

23 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

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To the members of Flight Centre Travel Group Limited

REPORT ON THE HALF YEAR FINANCIAL REPORT

We have reviewed the accompanying half year financial report of Flight Centre Travel Group Limited, which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the period.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Flight Centre Travel Group Limited and the entities it controlled during the half year ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and

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

Ernst & Young

Ernst & Young

Alison de Groot
Partner
Brisbane

23 February 2017